

2017

Internal Audit of the Asset and  
Risk Management Functions  
*for the Fort Bend Independent School  
District*

PREPARED AND SUBMITTED BY:

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AN EDUCATION CONSULTING & RESEARCH GROUP

# Contents

- Executive Summary..... 2**
  - Asset Management Program ..... 2
  - Risk Management Program ..... 2
  - Audit Approach..... 3
  - Audit Summary ..... 4
- Section A – Fixed Assets ..... 7**
  - Background ..... 7
  - Management and Organization..... 8
  - Purchasing and Receiving ..... 12
  - Recording and Monitoring..... 18
  - Disposals, Retirements, and Transfers ..... 22
  - Technology..... 25
- Section B – Risk Management ..... 27**
  - Background ..... 27
  - Management and Organization..... 28
  - Insurance Policies and Processes..... 35
  - Risk Exposures ..... 46
- Appendix A – Audit Interview Roster..... 50**
- Appendix B – Workers’ Compensation Claims Analysis ..... 51**
- Appendix C – Selected Campus Safety Survey..... 52**

# Executive Summary

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Gibson Consulting Group, Inc. (Gibson) was engaged to conduct an internal audit of the Asset and Risk Management functions of the Fort Bend Independent School District (Fort Bend ISD/District). The scope of this audit involved a review of the District's fixed asset and risk management programs and sought to answer the following questions:

## Asset Management Program

- Has Fort Bend ISD established comprehensive policies and procedures related to the management of fixed assets?
- Is the District in compliance with policies and regulations applicable to fixed assets?
- Are there adequate internal controls to limit exposure to unauthorized or inappropriate transactions?
- Has Fort Bend ISD put adequate physical controls in place? Do some fixed assets actually exist?
- Are fixed assets accurately recorded and presented in the District's financial statements?
- Are obsolete and retired fixed assets disposed of appropriately? Does adequate documentation exist to substantiate these disposals?

## Risk Management Program

- Has the District clearly defined the risk management program, including goals, objectives, procedures, and responsibilities?
- Are risk management processes effective?
- Is the risk management function in compliance with established legislative, regulatory, and local board policies in general? As they apply to insurance and liability?
- Are insurance coverages comprehensive and adequate to offset identified risks?
- Are appropriate changes made to the District's levels of insurance coverage in response to changes in the District's requirements?
- Are insurance agreements periodically subject to competitive bidding, and is coverage cost effective?
- Does the cost of workers' compensation reflect a safe workplace? Is the program self-sufficient?
- Has the District identified areas of exposure to loss and analyzed areas of risk?
- Have processes to decrease risk exposure and to monitor progress been implemented?
- Are there sufficient procedures for reporting incidents, making claims that function as intended?

- Has the District published and disseminated risk management policies to all appropriate staff?
- Have safety and other risk management programs been put in place to mitigate risks? Are facilities and controls in place to minimize the risk of injury, theft, intrusion, and other risks?
- Does Fort Bend ISD use available risk management techniques such as inspections, investigations, and trainings to identify, analyze, and minimize risks inherent in the operation of district programs?

This report presents results of the audit including findings and corresponding recommendations aimed at improving the District’s asset and risk management programs and processes.

## Audit Approach

The approach to this audit involved the analysis and triangulation of data from multiple sources, including district-provided data, interviews, and focus group sessions with administrators and staff whose daily work interacts with the District’s asset and risk management operations and functions. The audit team conducted walkthroughs of the warehouse and multiple campuses throughout the District. See Appendix A for a complete interview roster.

In addition to interviews and focus group sessions, the audit team conducted transaction testing to evaluate key fixed asset processes. Table 1 provides a high-level summary of the tests that were executed for this audit. Audit transaction testing was not performed for the risk management function, however, because the primary objective for that audit was to determine the existence and quality of the District’s comprehensive risk management plan, and the extent to which policies and procedures are followed.

**Table 1. Asset Management Audit Testing Summary**

Test Number	Sample Size	Test Overview
Test 1: Purchasing and Receiving	15	Audit of select fixed asset acquisitions to ensure they are properly approved, supported, from an approved vendor, and the correct budget code was used.
Test 2: Recording and Monitoring	N/A	Audit of fixed assets to ensure they are in usable condition, the details recorded in <i>PeopleSoft</i> match the item, they are properly tagged, and to test for existence and completion of fixed asset records.
Test 3: Depreciation	15	Audit of fixed asset depreciation for reasonability of useful life estimates, accuracy of depreciation calculations, and proper recording of depreciation in the general ledger.
Test 4: Disposals and Retirements	15	Audit of fixed asset disposals and retirements to ensure they are properly approved, recorded, and documented.
Test 5: System Access Levels	N/A	Audit of employee access levels for all fixed asset functions within <i>PeopleSoft</i> to ensure system access is appropriate.

## Audit Summary

The scope of this audit included a review of the District's fixed asset and risk management functions and identified several commendations to recognize best practices, as well as findings and recommendations aimed at improving processes, controls, and management practices. Although both functions have experienced high turnover, many improvement efforts have been implemented to create more efficient processes and practices.

Two of the most significant findings of this audit are: 1) the underutilization of technology to manage the District's fixed assets (e.g., barcode labels are not scanned during inventory counts, and *PeopleSoft* is not utilized for recording purposes, such as depreciation), and 2) the District does not have a comprehensive risk management plan that defines the programs goals, objectives, procedures, and responsibilities.

### Commendations

The audit identified several best practices for which the District should be commended.

**The Transportation Department conducts regular accident review meetings to examine accidents and suggest corrective actions.** The Transportation Department has a well-defined process for reviewing accidents and developing resourceful solutions to avoid them in the future. The Department uses the two transportation facilities to cross-review accidents and develop preventive solutions. For example, if an accident occurs involving a vehicle from the Hodges Bend Transportation Center, a group of drivers and supervisors from the Lake Olympia Transportation Center will review the accident and recommend solutions. This is done on a completely anonymous basis, assuring that the review committee is objectively focused on the incident and not the individual or the position of the person involved.

**The number of safety meetings with lead custodians was recently increased from quarterly to monthly.** The Executive Director of Facilities has increased the safety meetings for the lead custodians from quarterly to monthly. This is a more effective plan since there can be multiple staff changes throughout the month and each month a specific operational or safety focus is often needed. For example, June's safety focus for the custodial department will be on initial summer cleaning, such as floor care. By having additional meetings, this allows the lead custodians to better focus their staff.

**Cyber security efforts are in place for district computer media that is no longer in use.** The District disposes of unwanted and unneeded equipment often through an auction process. The number of auctions have steadily increased, especially in the computer media area due to the need to replace outdated computers. The District uses a third-party vendor to certify that all computer media is "clean". This process helps to deter cybercrime and decreases the District's cyber liability.

The audit team developed the following recommendations to improve the efficiency, effectiveness, and compliance of the Asset and Risk Management functions (see Table 2). Recommendations are not listed in order of priority but rather the order in which they appear in the report.

**Table 2. Summary of Recommendations**

Priority	No.	Recommendation
<b>Asset Management</b>		
Medium	1	Enhance the documentation of processes and procedures for fixed asset operations.
Low	2	Establish a more robust process for developing and monitoring goals and objectives for the fixed asset function.
Low	3	Modify job descriptions to ensure that they accurately reflect the requirements and responsibilities and duties for each position.
High	4	Implement formal procedures for the delivery and tagging of fixed assets.
Medium	5	Implement the use of scanners during the inventory process.
High	6	Utilize <i>PeopleSoft</i> for the recording and monitoring of depreciation and for reporting purposes.
Medium	7	Require uniform policies and procedures for all assets during the disposal and transfer process.
High	8	Ensure that access is revoked within all <i>PeopleSoft</i> modules for all terminated employees.
<b>Risk Management</b>		
High	9	Realign the Risk Management function so that it reports directly to the Chief Financial Officer, and reassign the Contract Specialist positions to the Legal Department or other procurement function.
Medium	10	Realign the Environmental, Health and Safety Manager position under the Assistant Director of Risk Management.
Medium	11	Develop a risk communication channel so district leadership is properly advised of risks and risk management strategies.
High	12	Develop and provide quarterly and annual risk management reports.
Low	13	Ensure that the Risk Management Unit coordinates with the Emergency and Life Safety Unit, and other departments, on the implementation of safety activities as outlined in the Safety and Security Master Plan.
High	14	Develop a comprehensive risk management plan that includes input from all departments.
High	15	Ensure that the Risk Management Unit reviews property coverages, exposures, limits, and losses.
High	16	Implement processes and procedures to regularly review workers' compensation losses to focus on loss prevention and control efforts.
Low	17	Review student accident health coverage and implement a \$100 deductible, changed dates, and coverage benefits.
Medium	18	Plan a coordinated insurance competitive bidding process.
Low	19	Annually administer campus and facility safety loss control surveys, analyze results, and ensure corrective actions are taken.

Priority	No.	Recommendation
<b>Asset Management</b>		
Medium	20	Leverage insurance providers to conduct loss prevention services, as these services are typically included in existing contracts.
High	21	Implement risk management “emergency” plans and responses.

Each of the above findings and recommendations are discussed in the remainder of this report, which is organized into the following sections:

- A. Fixed Assets
  - Background
  - Management and Organization
  - Purchasing and Receiving
  - Recording and Monitoring
  - Disposals, Retirements and Transfers
  - Technology
- B. Risk Management
  - Background
  - Management and Organization
  - Insurance Policies and Procedures
  - Risk Exposure
- C. Appendices

# Section A – Fixed Assets

## Background

### Financial Overview

The District's fixed assets, defined as those with a useful life longer than one year and a unit value of \$5,000 or greater, are recorded in the 6600 expenditure accounts listed in the table below. In fiscal year (FY) 2016, fixed asset expenditures accounted for 7 percent of total district expenditures. Given this significant investment, planning and control over fixed assets is critical to the long-term financial health of the District.

**Table 3. Fort Bend Fixed Asset Expenditures, FY 2013 – FY2017**

Fixed Asset Expenditures	FY2013	FY2014	FY2015	FY2016	FY2017
6619 LAND PURCHASES	\$1,666,826.00	\$12.00	\$6,331,811.00	\$1,726,399.00	\$2,731,887.00
6624 ARCHITECTURAL SERVICES	\$669,795.00	\$459,296.00	\$1,887,553.00	\$5,034,825.00	\$4,450,323.00
6625 ENGINEERING SERVICES	\$330,760.00	\$203,178.00	\$233,165.00	\$663,135.00	\$940,802.00
6629 BUILDING CONSTRUCTION-IMP	\$12,290,562.00	\$7,507,085.00	\$20,555,901.00	\$34,207,744.00	\$117,363,822.00
6631 VEHICLES > \$5000 @	\$2,929,716.00	\$411,022.00	\$3,163,020.00	\$7,077,685.00	\$8,684,709.00
6635 TECH EQUIP > \$5000 @	\$586,073.00	\$466,558.00	\$407,627.00	\$5,603,762.00	\$2,783,140.00
6636 SOFTWARE > \$5000 @	\$208,145.00	\$29,170.00	\$172,995.00	\$125,468.00	\$120,723.00
6637 INSTRUMENTS >= \$5000 EA	\$19,093.00	\$967,408.00	\$37,356.00	\$140,800.00	\$132,642.00
6639 OTHER EQUIPMENT > \$5000 @	\$302,085.00	\$1,143,979.00	\$768,331.00	\$1,355,917.00	\$1,621,362.00
<b>Total Fixed Asset Expenditures</b>	<b>\$19,003,055.00</b>	<b>\$11,187,708.00</b>	<b>\$33,557,759.00</b>	<b>\$55,935,735.00</b>	<b>\$138,829,410.00</b>
<b>Total Expenditures</b>	<b>\$615,142,196.00</b>	<b>\$647,515,421.00</b>	<b>\$728,814,749.00</b>	<b>\$833,319,627.00</b>	<b>\$864,593,264.00</b>
<b>Percentage of Total Expenditures</b>	3.1%	1.7%	4.6%	6.7%	16.1%

Source: Fort Bend ISD District Expenditures

There have been significant variations in fixed asset expenditures over the past five years, primarily driven by land acquisitions and building construction. Significant fluctuations in these accounts are expected, as these purchases do not regularly occur. Further detail regarding the account codes and fixed asset expenditure trends is provided below.

- **Land Purchases:** In November 2014, taxpayers approved a bond referendum, which provided for \$36.5 million for land purchases for four new elementary schools, one middle school, and the Career and Technical Education Center.
- **Architectural Services:** Amounts for 2015-2017 primarily included architectural services related the design and construction of the four new elementary schools, one middle school and a Career and Technical Education Center.
- **Engineering Services:** Expenditures were related to the design and construction of the new schools mentioned above for an increase in costs in 2015-2017.



- **Building Construction IMP:** Expenditures were related to the construction of the new schools as well as renovation and additions to several campuses primarily through the 2014 bond referendum.
- **Vehicles > \$5000:** The 2014 bond included \$15.9 million for new school buses, as well as cameras and GPS devices for all buses. In addition, the District budgeted \$1.5 million of General Funds for other vehicle purchases for maintenance, police, Child Nutrition Department, and the textbooks.
- **Tech Equipment >\$5000:** In 2012, the iPad cart initiative was implemented in an effort to improve science scores. Part of the 2014 bond included \$39.4 million for technology infrastructure. In 2016, wireless access was added to all middle and high schools, and in 2017 it was added to 20 of the District's elementary schools.
- **Software >\$5000:** In 2012 and 2013, licenses for wireless hotspots and media services bundles were purchased. Software relating to the 2014 bond projects were purchased in 2015 and for Prolog in 2016.
- **Instruments >\$5000:** Due to budgetary constraints in 2010, the District drastically reduced the purchase of new instruments. In 2014, and again in 2016, the District used excess funds and budgeted amounts for instruments to adjust for prior year cuts.
- **Other Equipment >\$5000:** In 2012, there was a \$500,000 donation to the District of 10 temporary buildings. In 2014, numerous bond projects were initiated, such as ramps, and other equipment. In 2016, scoreboards were purchased for over \$600,000.

## Management and Organization

### *Department Organization*

There are two positions dedicated to the management of fixed assets within the District, a Fixed Asset Manager and a Fixed Asset Specialist, both of whom are organized within the Business and Finance Department. The Fixed Asset Manager is accountable for all fixed asset transactions and reconciliations and is primarily responsible for monitoring compliance with policies and procedures, reviewing fixed asset accounts monthly, preparing monthly reports, reviewing annual inventories, and supervising the Fixed Asset Specialist. The Fixed Asset Specialist monitors fixed asset requisitions, enters and maintains fixed assets in *PeopleSoft*, prints and distributes asset tags, and prepares monthly journal entries and reconciliations.

Figure 1 illustrates the Fixed Asset organizational structure.

**Figure 1. Fixed Assets Organizational Chart**

Source: Fort Bend ISD Business and Finance Department, 2017

In addition to these central office positions, there are over 100 school-based budget managers who also play a significant role in the processing of fixed assets. The budget managers, who are typically a school principal, assistant principal or department head, are responsible for the budgets for their school and/or department budgets, including the fixed assets. This includes approving all requisitions, processing the receipt of assets, and conducting annual inventories at their campuses.

### ***Findings and Recommendations***

***Finding 1: Documentation of processes and procedures for the management of fixed assets is insufficient.***

One of the key components of the management and organization of a department is the establishment of strong processes and procedures. The Business and Finance Department has created the following documents for fixed assets:

- Fixed Asset Manual – this manual provides an introduction to fixed assets and an overview of asset classes and their object codes, the tagging of assets, the annual inventory of assets, depreciation, asset disposals, asset transfers, and asset retention. This manual also includes copies of the fixed asset transfer/disposal form and fixed asset notification form.
- *PeopleSoft* Instructions – these instructions include screenshots from the system that explain how to add assets, adjust the cost of an asset, retire an asset, close depreciation, and perform asset maintenance.
- Instructions for printing barcode labels from *PeopleSoft*
- Vehicle registration process

The two main sources of information to guide fixed asset operations are the fixed asset manual and the *PeopleSoft* instructions. While these documents contain useful information, they do not provide step-by-step procedures by employee role that should be followed when performing daily tasks. If an employee involved in the fixed asset process were to leave the District, the current guidelines would not provide sufficient instruction to an existing employee trying to take over their roles and responsibilities.

For example, the audit team reviewed the fixed asset manual and noted that the manual gives a thorough overview of fixed asset definitions and when they should be entered into the system (i.e., new construction completed within one fiscal year should be entered into the system at the time of completion, etc.). However, the manual does not specify the workflow details including who enters these items into the system and who approves them.

**Recommendation 1: Enhance the documentation of processes and procedures for fixed asset operations.**

When documented and implemented correctly, written procedures and processes can help standardize activities, provide clarification, improve communication, reduce errors, improve training of new staff, and increase efficiency of operations. The fixed asset function should have formal documented procedures and process maps. Documented procedures should entail step-by-step instructions for every activity performed by the fixed asset function in the Business and Finance Department, including any employees involved in performing and approving transactions. The processes required for each of these activities should also be mapped out according to the system or document utilized. See Figures 2 – 4 for the audit team’s mapping of key fixed asset processes.

The Fixed Asset Specialist, Fixed Asset Manager, and the Director of Finance should collaboratively develop the process maps and procedures, and ensure that they are reviewed and approved by the Executive Director of Finance and the Chief Financial Officer. In addition, this documentation can be used to set expectations, provide a foundation for employee training, and referred to during employee performance evaluations if needed.

In addition to formal processes and procedures for the Business and Finance Department, the current fixed asset manual should be revised to provide detailed guidance to all end users regarding their responsibilities as it pertains to fixed assets. There should be step-by-step instructions for each end user group (e.g., budget managers, requesters, executive assistants, etc.) that explain how to perform every one of their tasks for processing fixed assets, from acquisition to disposal or retirement.

**Management Response:** *Management agrees with this recommendation. The Fixed Asset Manual will be updated to include procedures by user group by December 2018.*

***Finding 2: There are no formal processes in place to develop, and monitor progress towards, goals and objectives for the fixed asset function.***

The Business and Finance Department has established several goals for the fixed asset function, such as increasing the efficiency of the inventory process by implementing scanners or setting up reminders in the system for budget manager responsibilities; however, these goals and objectives are informally discussed amongst employees in the department and there are no formal processes in place regarding the development of such. For example, meetings are not held to discuss goals, goals and tasks are not broken down or assigned to specific employees, target completion dates are not established, and there are no processes in place to monitor the progress made towards these goals.

**Recommendation 2: Establish a more robust process for developing and monitoring goals and objectives for the fixed asset function.**

Key personnel in the Business and Finance Department involved in fixed asset operations should formally meet on a quarterly basis to develop and document goals and objectives. The following should be established for each goal:

- Priority level
- Specific action items
- Assignment of responsibility
- Start and end dates

In addition, the progress made towards each goal should be routinely monitored, using metrics and indicators. The results of these measures should be discussed at each quarterly meeting. In order to keep employees accountable, the successful completion of assigned action items should be incorporated into their annual performance evaluation.

***Management Response:*** Management agrees with this recommendation. Although the Director and Manager converse daily and are in such frequent contact that each person knows the status of items, we recognize the importance of scheduling meetings and documenting our work as recommended. Beginning in January 2018 (Fiscal 3<sup>rd</sup> Quarter) management will conduct quarterly meetings that will include the Executive Director of Finance, Director of Finance and the Manager of Fixed Assets to discuss goals. The meeting will consist of a review of written goals, with priority level, responsible parties, specific action items, as well as a timeframe for completion of goals.

***Finding 3: Some fixed asset job descriptions do not accurately reflect the job requirements or responsibilities for that position.***

The audit team reviewed the job descriptions for all positions related to fixed assets and conducted interviews with staff to determine if their day-to-day responsibilities and activities align with their job description. In addition, job descriptions were also reviewed to ensure the primary responsibilities and

minimum qualifications listed are sufficient for each position. Following is a list of the findings related to job descriptions.

- The job description for principals does not include any reference to their roles and responsibilities as campus budget managers, such as their responsibility for the annual inventory of fixed assets.
- The Director of Finance description states the position reports to the Chief Financial Officer, as opposed to the Executive Director of Finance.

**Recommendation 3: Modify job descriptions to ensure that they accurately reflect the requirements and responsibilities and duties for each position.**

The Business and Finance Department should review and modify the job descriptions for those involved in fixed asset operations. Since the Manager of Fixed Assets is responsible for the processing of fixed assets and oversees the Fixed Asset Specialist, some fixed asset experience should be preferred. The job descriptions for all budget managers, including principals, should also be modified to include the budget manager specific roles and responsibilities. Lastly, the Director of Finance position job description should be updated to reflect the correct reporting structure.

**Management Response:** *Management agrees with this recommendation. By June 30, 2018, Business & Finance will work with Human Resources to modify job descriptions for the Manager of Fixed Assets and all budget managers, including principals, as recommended.*

## Purchasing and Receiving

### Overview

During FY2016, the District purchased 757 fixed assets with an associated value of \$41 million. Table 4 displays these fixed assets broken down into eight categories. As shown in the table below, the majority of the fixed asset purchases in 2016 were computers; however, the largest purchases, in terms of the dollar value, were buildings.

**Table 4. District Fixed Asset Purchases, FY 2016**

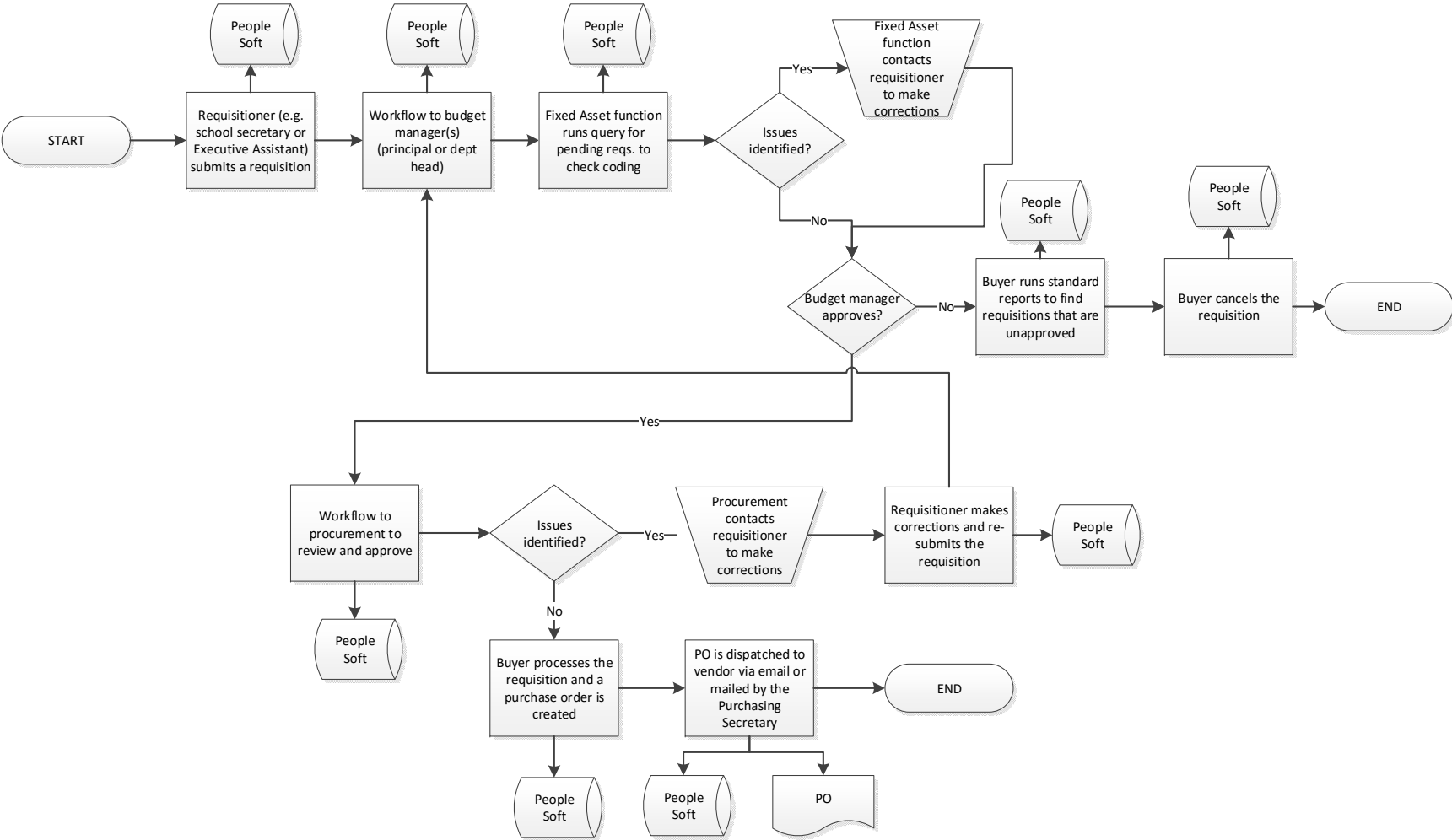
Fixed Asset Category	No. of Fixed Assets	Value of Fixed Assets
Buildings	2	\$23,825,292
Building Improvements	6	\$1,292,833
Computers	578	\$5,603,762
Equipment and Furniture	59	\$1,355,918
Instruments	17	\$140,800
Land	1	\$1,724,789
Software	7	\$125,468
Vehicles	87	\$7,077,685
<b>Total</b>	<b>757</b>	<b>\$41,146,547</b>

Source: Fort Bend ISD Fixed Asset Roll forward, FY 2016

**Purchasing**

The process of purchasing a fixed asset is depicted in Figure 2. Typically, a school secretary or executive assistant submits a purchase order requisition via Oracle *PeopleSoft*. The system then routes the requisition via workflow to the appropriate budget manager, who then reviews all components of the requisition, including the budget code assigned. The Manager of Fixed Assets and the Fixed Assets Specialist review a query every morning of all requisitions for fixed assets that are pending approval to ensure that the proper budget code was used. If the incorrect budget code is used, the fixed asset function will contact the requisitioner to correct the coding before the budget manager approves. If the budget manager approves the requisition the same day entered, this will not show on the Fixed Asset query since this step is only completed once a day. Once approved by the budget manager, the requisition is routed to Procurement for approval and creation of a purchase order (PO). Purchase orders are sent to the vendors via email or mail by the Purchasing Secretary.

Figure 2. Fixed Asset Purchasing Process



Source: Gibson Consulting Group, Inc.

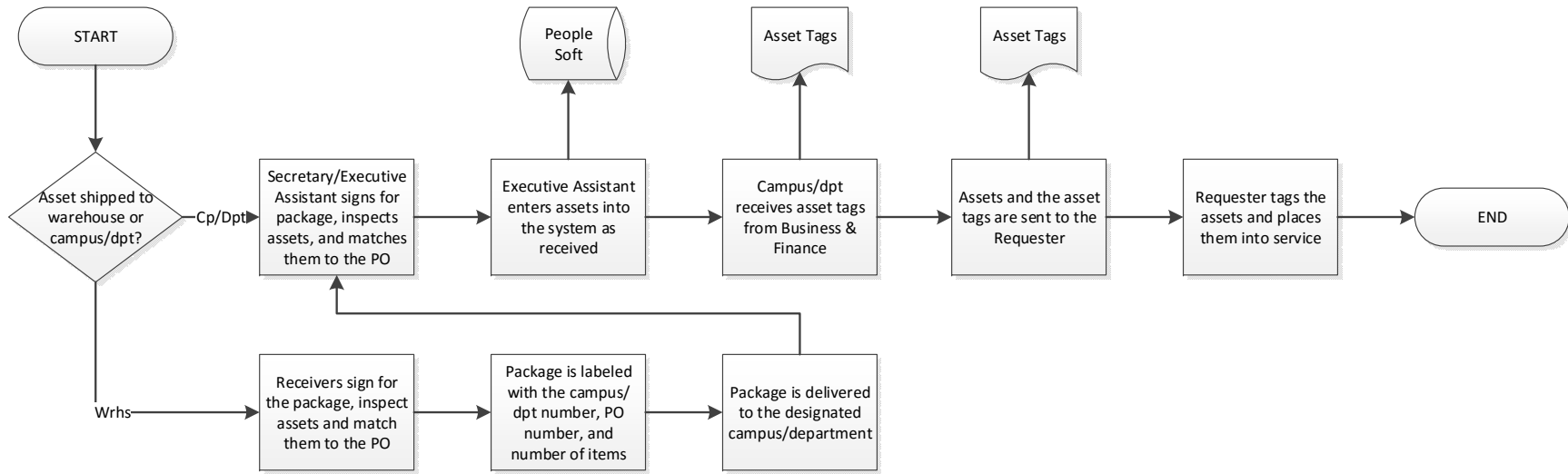
## *Receiving*

The receiving process for fixed assets is displayed in the Figure 3. Assets are either shipped to the warehouse and then delivered to the requesting campus or department, or they are shipped directly to the campus or department. This is determined by the shipping address that is entered on the requisition, and subsequently the PO. While there is no formal policy or procedure, the method most commonly used is to deliver assets to the warehouse first; however, there are a few exceptions. Large assets, or assets that are needed right away, are usually delivered directly to the requesting campus or department. Warehouse staff review the shipping addresses of requisitions regularly in order to re-route any assets to the warehouse when the campus or department address is used; not all of these requisitions are identified and re-routed.

Once received, all assets are inspected to ensure they are in the proper condition and they are matched with the PO to verify that the type and number of assets is correct. Once inspected, the assets are received in *PeopleSoft* by the school secretary or executive assistant at the campus or department. The receiving of the assets in the system prompts the Accounts Payable Department to issue a payment to the vendor. After the assets are received and the invoice has been paid, the Fixed Asset Specialist prints the asset tags and sends them to the campus or department through interoffice mail. The asset tags are usually given to the requester to place on the assets, along with the assets themselves; however, they can be placed by the secretary or Executive Assistant.



Figure 3. Fixed Asset Receiving Process



Source: Gibson Consulting Group, Inc.

## Testing

Gibson obtained the fixed asset roll forwards for FY 2016 and FY 2017 through March 31, 2017, which included all fixed assets purchased during those time periods. From these listings, the audit team selected 15 purchases and performed *Test 1 – Purchasing and Receiving*. For each selection, the audit team verified the following:

- The fixed asset requisition was properly approved by budget managers, technology (when applicable), procurement, and the Board of Trustees (when applicable).
- The fixed asset was recorded in the proper account code.
- The details of the fixed asset from the roll forward match the invoice.
- The fixed asset was properly received in the system.

Below is a summary of the findings from this audit test:

- Only 3 of the 15 (20 percent) purchases were first shipped to the warehouse. The remaining 12 purchases were shipped to the requesting campus or department.

## Findings and Recommendations

### ***Finding 4: There are no formal procedures in place for delivering and tagging fixed assets.***

As stated in the receiving section above, fixed assets are shipped to the address indicated on the requisition and purchase order. There is no formal process in place, and therefore it is up to the discretion of the requester as to what address to use. The requester can either enter their campus/department address, or the warehouse address. When the purchase is for a large asset or an asset that is needed right away, the campus or department address is usually used. Warehouse staff are under the assumption that assets should all be delivered directly to the warehouse, and as a result they review and edit requisitions that have a different shipping address. These are not always caught, however, and therefore there is a high degree of inconsistency regarding the addresses that fixed assets are shipped to, as confirmed in Test 1 above.

There are also no formal procedures in place regarding the tagging of assets. The Fixed Asset Specialist prints and sends all asset tags to the campuses and departments via interoffice mail once the assets have been received in the system and the invoices have been paid. Once the tags are received, the subsequent processes vary between campuses and departments. The tags can be placed on the assets by the Secretary or Executive Assistant, or they can be given to the requester to place on the assets when they receive them. More importantly, the District tags are not placed on every fixed asset. For example, campus libraries have their own asset tags that they place on fixed assets in order to keep track of them in their system. The District tags that are provided to them are kept on file, but are not placed on the assets. Lastly, the District asset tags have changed over time, and at the time the tags were last changed, the previous tags that were on old assets were not all replaced. These tagging inconsistencies are due to the

lack of formal procedures for campuses and departments and increase the risk for inaccurate inventory records and theft or loss.

**Recommendation 4: Implement formal procedures for the delivery and tagging of fixed assets.**

The District should implement a formal procedure to standardize the shipping of fixed assets to the warehouse and campuses/departments. The most efficient and cost-effective method would be to deliver all fixed assets directly to the campus or department that placed the order. However, this requires stronger internal controls, and thorough and frequent training of campus and department staff. On the other hand, delivery of all assets to the warehouse may provide more control but can be costly. The District should evaluate these options and implement a standard process across all campuses and departments. Regardless of the method selected, if there are certain exceptions, such as large assets or large quantities of assets, these exceptions should be formally documented and carried out with fidelity among all campuses and departments.

In addition, the District should review and enhance the current procedures for tagging assets. A current district fixed asset tag should be placed on all assets, with a few exceptions for large outdoor assets, including older assets that have previous district tags. Those responsible for placing the tags on the assets should be restricted to a few select employees at each campus and department, and guidelines should be established for where to place the tags based on the type of asset.

**Management Response:** *Management agrees with the intent of this recommendation. While the District would like to provide flexibility on where fixed assets can be shipped, we agree that the District will clearly articulate the procedures to be followed upon receiving fixed assets. The District will document the process for receiving fixed assets in the fixed asset manual. The District does have established procedures for tagging assets; however, we do not have established systems to hold budget managers accountable for following established procedures. As noted above, we will update the Fixed Assets Procedures Manual by December 2018; in updating the manual, we will work with other district leaders to develop and include systems of accountability related to tagging fixed assets.*

## Recording and Monitoring

### Overview

Recording and Monitoring encompasses depreciation, inventory, and maintenance of fixed assets. The findings and recommendations in this section include inventory checks conducted while at campuses as well as transaction testing. Currently, annual campus inventory checks and preventative maintenance are the responsibility of individual campuses. The Business and Finance Division is responsible for calculating ongoing depreciation for the over 5000 assets that are tracked.

**Depreciation**

The District calculates depreciation for all fixed assets using the straight line method, which is determined by dividing the difference between the acquisition cost and the asset’s expected salvage value by the number of years it is expected to be used, or its useful life. The useful lives for the District’s fixed assets is detailed in Table 5.

**Table 5. District Fixed Asset Useful Lives**

Fixed Asset Category	Useful Life
Buildings	40
Building Improvements	20
Furniture and Equipment	5-15
Vehicles	5-10

Source: Fort Bend ISD Fixed Asset Manual

**Inventory and Maintenance**

The District completes annual inventory counts at each school. Half of the schools complete the task in the fall and the other half in the spring. The inventory count is the responsibility of the principals, however, this is typically delegated to assistant principals or their administrative assistants. The Business and Finance Division is responsible for sending out excel spreadsheets to each of the campuses with a list of all assets over \$5,000 that are located on the campus. The campus is then tasked with locating the asset and manually checking it off on the spreadsheet. If an asset cannot be found, the campus must note the exception. If exceptions are noted, the Fixed Asset team must note this in the system after spreadsheet is received. The inventory count process is very time consuming and completely manual.

Departments with assets that require preventative maintenance, are responsible for the upkeep of the assets once they are received. Not all assets require preventative maintenance and the District does not specifically track maintenance performed; however, some departments do this individually.

**Testing**

**Depreciation**

Gibson obtained the fixed asset roll forwards for FY 2016 and FY 2017 through March 31, 2017, which included depreciation for all fixed assets in the District during those time periods. From these listings, Gibson selected 15 fixed assets and performed *Test 3 – Depreciation*. For each selection, Gibson verified the following:

- The useful life of the asset aligns with the schedule in the Fixed Asset Manual (see Table 5 above) and is reasonable given the type of asset.
- The asset’s depreciation in the year tested and the asset’s accumulated depreciation was calculated correctly.

- The asset's depreciation in the year tested and the asset's accumulated depreciation was properly recorded in the general ledger in *PeopleSoft*.

Below is a summary of the findings from this testing:

- A review of the FY 2017 depreciation schedule showed that there were several assets that were not properly coded to the correct object code. The Business and Finance Division explained that this was in input error, and has since been corrected. It was noted that these object code are not used in any calculations on the depreciation schedule and are only used for informational purposes. Gibson verified that the object codes for these assets are correctly recorded in *PeopleSoft*.
- Five (5) assets selected were being depreciated over incorrect useful lives. Per discussion with the Business and Finance Division, this was input error into the depreciation spreadsheet, however, the correct useful lives were recorded in *PeopleSoft*. The District owned multiple of the five (5) assets selected, therefore 48 assets were discovered to be depreciating over an incorrect useful life. The Department immediately updated the Excel spreadsheet for FY 2017. The Department noted that the spreadsheet is used in the production of the annual Comprehensive Annual Financial Report (CAFR), and other reporting purposes, and does not reconcile the amounts with *PeopleSoft*. Due to this finding, the department began to reconcile the spreadsheet to *PeopleSoft*, and as of July 2017 they were about halfway complete. As of July 2017 approximately 500 assets were discovered to have incorrect useful lives, with a net total of \$273,343 in adjustments. The absolute value of these adjustments was over \$1.2 million.

### *Inventory and Maintenance*

Gibson obtained the fixed asset sub ledger as of December 31, 2016 and reconciled to the General Ledger and Trial Balance. The audit team then selected a sample of the most recent acquisitions (31 assets). During the site visit, the audit team visited the locations of the selected assets to verify the following:

- The assets were in usable condition.
- The asset's *PeopleSoft* description was reasonable.
- The assets were tagged.

Seven additional assets were chosen while on campuses and asset tags were noted. The audit team then traced these assets back to the fixed asset sub ledger to verify completeness. Categories of assets (4) were also selected to test for the existence of preventative maintenance standards and procedures.

Below is a summary of the findings from this testing:

- Two (2) instruments selected were unable to be viewed because they were checked out by a student.

- Twenty-five (25) assets selected were unable to be located by the campus, due to the lack of information provided on the fixed asset sub ledger. Asset tag numbers were not included and asset descriptions were not detailed.

## ***Findings and Recommendations***

### ***Finding 5: The District's inventory process is completely manual.***

During the inventory process, the District's Business and Finance Department distributes Excel spreadsheets to all campuses with a listing of assets located on campus. The campuses are then responsible for manually checking off each asset listed, which contains minimal description. This process does not take into account any assets that may be on campus that are not listed on the spreadsheet and also does not utilize the barcodes located on the asset tags.

### **Recommendation 5: Implement the use of scanners during the inventory process.**

Once the District implements uniform policies and procedures for the tagging of all assets, the District should implement the use of scanners during the inventory process. Currently, the inventory process on campuses is manual, even though barcodes are provided to be affixed on all assets. The District should invest in scanning equipment in order to more efficiently record all assets on each given campus. Currently, campuses are expected to go through a long list of all assets located on campus, with minimal asset descriptions. This causes administrators and staff to spend a significant amount of time focusing on finding inventory items instead of higher priority tasks. Implementing scanners would allow staff to go through each room on campus and scan all barcodes instead of focusing on where to locate each individual asset based on a short description. Scanners will also be able to ensure all assets on campus are accounted for, even if they are not listed on the spreadsheet as well as alert the District if any assets are missing. In order for the scanning technology to be beneficial, the District must first ensure a uniform tagging process across the District as described previously.

***Management Response:*** *Management agrees with this recommendation. By December 2018, we will work with Information Technology Division to research and identify a scanning and tagging solution that is best suited to meet the District's needs, as well as an initial plan for piloting and implementing the identified system.*

### ***Finding 6: Asset depreciation is calculated on a manual spreadsheet and is not reconciled to PeopleSoft, creating errors in depreciation recording.***

All asset depreciation calculations are maintained in a large Excel spreadsheet and formulas are manually calculated. Further, staff must also perform duplicate data entry, as they are also required to enter this information again into *PeopleSoft*. The District does not reconcile the spreadsheet to *PeopleSoft*. Relying on a manual document allows for error and the possibility of the incorrect recording of depreciation. The District relies on the Excel spreadsheet for all reporting purposes and the audit team found numerous calculation errors.

### **Recommendation 6: Utilize *PeopleSoft* for the recording and monitoring of depreciation and for reporting purposes.**

The District should also fully utilize *PeopleSoft*'s current functionality to record depreciation. Manually inputting information into a spreadsheet increases the probability for errors. The spreadsheet is also very large and not feasible to check each calculation individually every time a calculation is run. During audit testing, Gibson found 48 assets with incorrect depreciation calculations. In response, the District did a complete reconciliation of the spreadsheet to *PeopleSoft* revealing many more errors. The District should utilize the capabilities of *PeopleSoft* during the recording and monitoring of depreciation in order to avoid future errors.

**Management Response:** *Management agrees with this recommendation; however, because the District is in the process of determining whether to include a new ERP system in the 2018 Bond Program, we will continue reconciling depreciation between the Excel schedule and PeopleSoft. This will include reconciling each asset cost, accumulated depreciation and net book value of asset. The reconciliation between PeopleSoft and the Excel schedule will be completed by June 2018. In the event staff recommends pursuing a new ERP system, the specifications and requirements outlined above will be included as part of the Request for Proposal. If we do not pursue the identification of a new ERP system, we will continue to research ways to best utilize People Soft for allocating and reporting depreciation. Researching the PeopleSoft allocation features will be completed by June 2019, for implementation in the 2019-20 fiscal year, unless the decision is made to procure a new ERP system.*

## **Disposals, Retirements, and Transfers**

### **Overview**

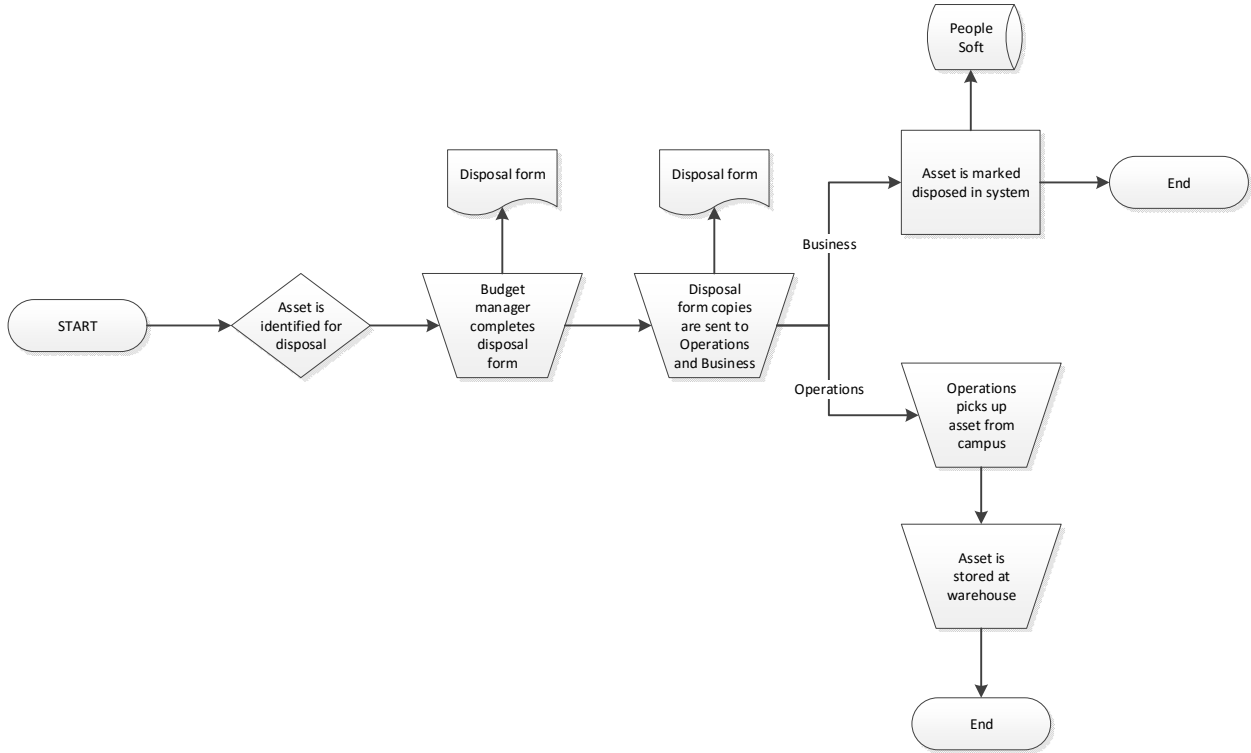
The District currently has processes in place for the disposal, retirement, and transfer of assets. The District has implemented all-encompassing form that must be filled out prior to disposing, retiring, or transferring an asset. This form is primarily used throughout the District, with some exceptions. This section highlights the use of the forms as well as some exceptions.

### **Disposals and Retirements**

The process for disposing/retiring an asset is depicted in Figure 4. An asset is first identified as needing to be disposed of. The disposal must be approved by the budget manager. The budget manager fills out a disposal form, which is a hard copy form that has four duplicates. These duplicates are distributed to Business and Finance Department, the receiving campus/department, the sending campus/department, and the operations department driver. The budget manager must fill in the asset ID, Barcode, Asset Description, Quantity, New Location, and Disposition Code. The Disposition Codes are A- Auction, B- Broken, L-Lost, O-Obsolete, P-Parts/Salvage, S- Stolen, V- Vandalism. The budget manager releasing the asset must sign and date the form. Once the disposal form is completed and copies are distributed, the asset is picked up from the campus and by the Operations Driver and delivered to the warehouse. Both

the driver and the warehouse must sign off on the disposal form. The asset is also marked as “disposed” in the system (*PeopleSoft*) by the Business and Finance Department.

**Figure 4. Asset Disposal Process**



Source: Gibson Consulting Group, Inc.

**Transfers**

The process of transferring assets is similar to the retirement/disposal process. When an asset is to be transferred, the same hard copy Fixed Asset Transfer/Disposal Form must be completed. The budget manager must fill out the form and sign and approve the transfer. The copies are then distributed. Once received by operations, a driver goes to pick up the asset and delivers it to the receiving campus. The driver must sign off on the exchange and the receiving campus must sign when the asset is received. The Business and Finance Division then changes the Asset Location within the *PeopleSoft*, as an update to the asset.

According to the District, the transferring of assets between campuses is rare. Since the Business and Finance Division only updated the asset location when transfers were made, a listing of transfers was unable to be given to the audit team for testing. The Business and Finance Division now added “Transfers” as a new record to assets in order to track transfers in the future.



## Testing

Gibson obtained a listing of all disposals and retirements in 2016. The audit team then randomly selected 10 disposals and obtained the corresponding disposal form to ensure the following:

- Asset disposal/ retirement is properly approved by budget manager of releasing and receiving campus or department
- Asset disposal/retirement is properly recorded within *PeopleSoft*
- Proceeds were properly documented if sold for parts or in auction

Below is a summary of findings from testing:

- Eight (8) disposal forms were missing the pick-up and drop off driver's signature, as well as the receiver's signature at the warehouse.
- One (1) asset, a temporary building, did not have a corresponding disposal form. According to the Business and Finance Department, the District noted a discrepancy in temporary buildings found at Mission West Elementary School in 2016. It was determined that one temporary building (the audit selection) was destroyed earlier by a fire and was never disposed of in the system. The Fixed Asset Team was then instructed to dispose of this asset. No further information was available.

## Findings and Recommendations

### ***Finding 7: The District does not follow uniform policies and procedures for disposing of all assets.***

As stated in the testing section above, the District does not require all fixed assets that are being disposed of, such as temporary buildings, to follow the current disposal process. Currently when an asset is needed to be disposed of, no matter the dollar value, a disposal form must be completed and approved by the budget manager. Fixed assets, such as temporary buildings are not required to follow these procedures. When a temporary building is transferred or disposed of, the Maintenance and Operations group is responsible for sending the Business and Finance Department an updated status or location of the building.

### **Recommendation 7: Require uniform policies and procedures for all assets during the disposal and transfer process.**

The District should require all assets that are being disposed of or transferred to follow the same uniform procedures to ensure all assets are properly tracked. The District should have uniform procedures so all assets are tracked under the same procedures to mitigate any risks of not properly reporting the disposal or transfer of an asset. The budget manager (typically the principal) should also be required to approve all disposals and transfers of assets from their corresponding campus to increase tracking efforts.

The District should also ensure that all disposal forms are properly filled out. During audit testing, 8 out of 10 forms were missing the pickup and drop off driver's signature as well as the receiver's signature. The proper completion of all forms is imperative for proper record keeping and tracking of assets in the future.

**Management Response:** *Management agrees with this recommendation. Business & Finance will continue training district staff during fiscal year 2017-2018 regarding how to utilize the disposal form. As discussed above, the updated Fixed Assets Manual will also include accountability systems for properly disposing of assets. Business & Finance is working with Information Technology to implement an electronic transfer and disposal process using PeopleSoft. As mentioned earlier, management is considering the possibility of changing ERP systems. The specifications and requirements for the disposal process would be included in the RFP. Management will develop a plan for developing and implementing an electronic disposal form by December 2018.*

## Technology

### Overview

The District uses Oracle *PeopleSoft* ("*PeopleSoft*") as their financial management system. *PeopleSoft* is used to capture all fixed asset purchases and facilitates the process from acquisition to disposal or retirement. This report section discusses the District's use of *PeopleSoft*, including employee's access to the various fixed asset modules of the system.

### Testing

Gibson obtained listings of all employees that have view only and edit access to the key fixed asset modules in *PeopleSoft*, in order to perform *Test 5 – System Access Levels*. These modules include asset management, requisitions and receiving. Gibson reviewed these listings to ensure that the access levels and appropriate, given the employees' roles and responsibilities.

Below is a summary of the findings from this testing:

- Seventeen (17) terminated employees had edit access to requisitions.
- Two (2) terminated employees had edit access to the receiving module.

### Findings and Recommendations

**Finding 8:** *Access was not revoked within the PeopleSoft fixed asset modules to all terminated employees.*

During the review of system access levels within the *PeopleSoft* fixed asset modules, it was discovered that some terminated employees still had edit access to the requisitions and receiving modules. The District has strict policies that state an employee's access to the *PeopleSoft* system must be revoked once

they are terminated. The employees with remaining *PeopleSoft* access had termination dates ranging from 2011-2017.

**Recommendation 8: Ensure that access is revoked within all *PeopleSoft* modules for all terminated employees.**

The District should ensure that employee access to all *PeopleSoft* modules is revoked for all terminated employees. This should be addressed timely upon the termination of the employee. Though some (4) of the terminated employees that still had access to the system were terminated in March and April 2017, the majority of terminated employees with remaining access were terminated in previous years. It is imperative that all terminated employees do not have access to any module, to ensure that someone outside of the organization cannot gain access to sensitive student and district information.

**Management Response:** *Management agrees with this recommendation. Termination of PeopleSoft accounts is handled by an automated process based on effective dates of the job data record. The automated process runs based on date of "termination with pay" and not last day worked as this allows employees to see their remaining payroll information in My Self Serve. The different data files requested during this audit that were provided by IT and HR were pulled based on various dates and caused inconsistencies regarding staff for the data analysis that was done. The security process in PeopleSoft today is working as designed; however, this will be discussed with various stakeholders to discuss modifying the process to use "last day worked" as the day to terminate system access by December 2017. The specifications and requirements for termination process will also be included in the upcoming ERP system search.*

## Section B – Risk Management

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### Background

Risk management is generally defined as the identification, measurement and treatment of exposures for potential losses and subsequent management of actual losses, in an effort to minimize an organization's cost of risk. There are four ways organizations manage risk:

- *Risk avoidance* is the elimination of hazards, activities, and exposures that can negatively affect an organization's assets. A good example of risk avoidance is school closings due to inclement weather in order to avoid bus accidents.
- *Risk reduction or risk control* are the methods used to reduce the frequency or severity of losses. Training that is provided in association with workers' compensation is a good example of risk control.
- *Assumption of risk*, also known as *risk retention*, is the planned assumption of losses. This would include deductibles and risks that cannot be transferred.
- *Transfer of risk* is the most common method of managing risk, as it involves contractually shifting, or transferring, risk from one party to another. One example is the purchase of an insurance policy, by which a specific risk of loss is passed from the policyholder to the insurer in exchange for a premium charge. This method is also used in sharing risk in association with pooling programs.

Risk management functions in school districts are general small operating units; however, their importance is very significant in that inadequate risk management can have significant and adverse consequences with respect to student and employee safety as well as financial exposure.

Fort Bend ISD's risk management function is guided by several policies, many of which are legally required. Below is a summary of policy framework governing the risk management function at Fort Bend ISD.

- CRB (Local) establishes that a district must purchase a liability insurance policy or provide self-insurance in an amount necessary to provide liability coverage for Trustees and employees who are exposed to individual liability by virtue of their duties.
- CK (Local) states the Superintendent or designee shall be responsible for developing, implementing, and promoting comprehensive safety programs designed to address the safety of students, employees, visitors, and all others the District conducts its business with.
- CR (Legal) establishes that a district may purchase reinsurance for a risk covered through the self-insurance fund and that any law or regulation requiring insurance may be satisfied by coverage provided through the self-insurance fund.
- CRE (Legal) establishes that the District shall extend workers' compensation benefits to its employees

by choosing one of the following options: 1) Becoming a self-insurer 2) Providing insurance under workers' compensation insurance contracts or policies, and 3) Entering into interlocal agreements with other political subdivisions for providing self-insurance.

- FFD (Legal) states that a board may purchase insurance against bodily injury sustained by students while training for or engaging in interscholastic athletic competition or school-sponsored activities.
- GRC (Legal) establishes that a district may provide emergency assistance to another local government, whether or not the District and the local government have previously agreed or contracted to provide this assistance.

## Management and Organization

Fort Bend ISD's Risk Management Unit is led by an Assistant Director of Risk Management who reports to the Director of Purchasing and Materials Management within the Business and Finance Division. The Assistant Director of Risk Management is responsible for the oversight and management of all risk management activities throughout the school district, and is supported in this endeavor by the following positions:

- One (1) Generalist, who is primarily responsible for managing workers' compensation claims for the transportation, maintenance, police, and warehouse departments, as well as all auto, property, and student accident claims
- Three (3) Contract Specialists who are responsible for the compliancy of all district contracts less than \$50,000
- One (1) Workers' Compensation (WC) Specialist who manages all other worker compensation claims not overseen by the Generalist
- One (1) Loss Prevention Specialist, which is a newly created position during the course of this audit, focuses on workers compensation loss prevention activities

Figure 5 depicts the Risk Management Unit current organizational structure.

**Figure 5. Current Risk Management Unit Organizational Structure**



Source: Fort Bend Business & Finance Division

***Findings and Recommendations***

***Finding 9: The Risk Management function is misaligned under Purchasing and Materials Management, which deemphasizes many of the core functions of an effective risk management program.***

The Risk Management function is currently organized under the Director of Purchasing and Materials Management likely due to the fact that three of the seven positions (Contract Specialists) are focused exclusively on contract compliance activities assisting purchasing buyers with the vendors. This reporting structure, coupled with a general lack of understanding of the role of risk management within the District, has resulted other core functions of risk management not being prioritized, such as forecasting future and frequency of losses, creating plans, conducting cost-benefit analyses, finding risk-mitigating solutions, etc. Focusing on minimizing risk through maintaining contractual exposure is one way to evaluate and control risk, but it should not be the only way.

**Recommendation 9: Realign the Risk Management function so that it reports directly to the Chief Financial Officer, and reassign the Contract Specialist positions to the Legal Department or other procurement function.**

The importance of the risk management function, as it relates to other departments within the District and its important financial obligation to manage risks for the District, would be best served by having the Assistant Director of Risk Management report directly to the Chief Financial Officer. This should initiate the process for the Risk Management Unit to begin a complete and comprehensive risk management plan.

The three Contract Specialists should also be moved to the Legal Department or under another procurement function since these positions are required to manage the transactional compliance of contracts and not directly involved in the District risk management function.

**Management Response:** *Management partially agrees with this recommendation. The Assistant Director of Risk Management will report directly to the Executive Director of Finance by November 2017. This is a practical alignment to ensure the efforts of Risk Management are afforded resources and access to key stakeholders for best effectiveness. Management also supports the recommendation to reassign the Contract Specialist positions to the Legal department by December 2017.*

**Finding 10:** *The Environmental, Health and Safety Manager is not organizationally aligned with the risk management program.*

The Environmental, Health and Safety Manager position is currently supervised by the Chief Operations Officer and appears to perform many risk management functions. The position oversees the environmental area, as well as the hazardous communications program (HAZCOM). The position responds to indoor air quality issues and oversees all the fire safety inspection requirements of the District. These duties are more closely aligned with risk management than facilities management.

**Recommendation 10:** **Realign the Environmental, Health and Safety Manager position under the Assistant Director of Risk Management.**

The Environmental, Health and Safety Manager position helps to mitigate risks, provides risk reduction assistance and helps in controlling risk as well. Aligning this position under the Assistant Director of Risk Management will help broaden the risk management team's efforts to develop a complete and comprehensive risk management plan for the District.

This position will greatly assist the workers' compensation and property liability loss prevention efforts and help support the Loss Prevention Specialist. Having this position within the Risk Management Unit will also be of benefit when working with the District's insurance providers in providing technical assistance to these groups.

Figure 6 illustrates a recommended organizational structure.

**Figure 6. Recommended Risk Management Unit Organizational Structure**



Source: Gibson Consulting Group, Inc.

**Management Response:** Management agrees with this recommendation. The Environmental, Health and Safety Manager position will report to the Assistant Director of Risk Management by November 2017.

**Finding 11:** There is no formal process for communicating with district leadership the findings related risk and risk management strategies.

The Risk Management Unit is charged with numerous employee and student safety initiatives throughout the District, and it must work with all campuses and departments to minimize and control risk. However, there is no formal process for briefing senior leadership on the findings related to risk exposure and risk management strategies. Ultimately it is the responsibility of the superintendent and board to determine acceptable levels of risk, and it is the responsibility of the Risk Management Unit to provide them with information to inform their decision-making.

**Recommendation 11:** Develop a risk communication channel so district leadership is properly advised of risks and risk management strategies.

Develop a channel of communication for the purpose of allowing district leadership the opportunity to better evaluate the Risk Management Unit’s findings, in order to make more informed decisions regarding acceptable levels of risk throughout the District.

**Management Response:** Management agrees with this recommendation. By June 2018, the CFO, Executive Director of Finance, and Risk Manager will develop Key Performance Indicators and an effective system for reporting performance and identified areas of potential risk to district leaders.



***Finding 12: There are no quarterly or annual risk management reports for senior management and school board members.***

The Risk Management Unit currently does not provide any risk activity reports to district leaders. This information is needed so that potential problems can be communicated to and acted on by senior leadership. Although the unit does have access to several worker's compensation claim reports, the audit team found that this information was not shared outside of the Risk Management. The audit team did not find any reports related to the operational risk management practices of the District.

**Recommendation 12: Develop and provide quarterly and annual risk management reports.**

The Risk Management Unit should begin to provide quarterly or annual reports to senior management and school board members. The reports should provide an evaluation of required and optional insurance coverages, as well as information to other departments, senior management, and the school board.

The annual risk management report should include a report summary for the following areas:

- Workers' Compensation
- Property/Casualty
- Automobile Liability
- Unemployment Compensation
- Student Accident Benefits
- Safety and Loss Prevention Activities
- Significant Accomplishments
- Risk Cost of Risk Per Student

The annual risk management report not only provides a historical summary of these areas, but also address what will be done to in the future to prevent accidents, minimize property and liability losses, analyze new exposures, and implement programs to diminish those exposures.<sup>1</sup>

***Management Response:*** Management agrees with this recommendation. One of the 2017-18 performance goals the Loss Prevention Specialist is to reduce the frequency of the identified top 3 causes of employee injury (student-caused, slips/trips/falls, and strains/sprains). This effort includes consistent and frequent communication with department administrators including monthly statistics of all reported accidents for their respective groups. This reporting process started in August 2017. The quarterly reports will be modified to include the elements outlined above by June 2018.

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<sup>1</sup> A sample annual risk management report prepared by James E. Huckaby, ARM-P, Executive Director Operations/Risk Management for Mesquite ISD, is included on our website <http://gibsonconsult.com/>.

***Finding 13: The Risk Management Unit is not involved and is not coordinating with the Emergency and Life Safety area during the implementation of the Safety and Security Master Plan.***

The District's *Safety and Security Master Plan Proposal* from July 22, 2014 outlined key components to the "foundation to enhance the overall safety and security" of the District's educational environment. The plan outlined a goal to enhance infrastructure with a security camera system, school bus cameras and GPS, security fencing, video intercom, access controls, security vestibules, window film, wireless network coverage, and campus emergency generators. The plan also addressed crisis communication/notification, district policies/procedures, and community engagement.

The Risk Management Unit is not involved with the Emergency and Life Safety Unit as they implement this plan. The Risk Management Unit is not coordinating and communicating these plans to the District's insurance providers. This limits the ability of Fort Bend ISD to hold its Risk Management Unit accountable, and precludes needed input by the Risk Management Unit for this plan.

**Recommendation 13: Ensure that the Risk Management Unit coordinates with the Emergency and Life Safety Unit, and other departments, on the implementation of safety activities as outlined in the Safety and Security Master Plan.**

Coordinating with the Emergency and Life Safety Department can enhance the safety and loss control team's efforts to mitigate losses. As an example, security cameras have recently been installed in all secondary schools, but the Risk Management Unit is not using the available camera footage to assist with workers' compensation claims. Since the footage can be accessed online it could be used by the risk management team in reviewing a workers' compensation event and determine if corrective action could prevent future claims.

The Emergency and Life Safety Unit has also developed a fire safety checklist and coordinates emergency activities by using an emergency liaison at each campus. There is a tremendous amount of risk assessment that this area is doing which would be beneficial to the Risk Management Unit. This coordination should be brought to the attention of the insurance providers, as it shows the proactive steps the District is doing to prevent loss of property and life. This can often lead to reduced premiums, as the insurance company's underwriters see the loss prevention efforts of the District.

***Management Response:*** *Management agrees with this recommendation. By December 2017, the Assistant Director of Risk Management will work with the Emergency and Life Safety Bureau to develop and implement systems of collaboration*

***Finding 14: Fort Bend ISD does not have a comprehensive risk management plan.***

A comprehensive risk management plan should be specifically defined and include goals, objectives, procedures, and responsibilities. Comprehensive risk management plans identify, analyze, plan, track, control, and communicate risks. These plans are important to ensure that the risk management function

is achieving its objectives and performing or coordinating all necessary tasks. The impact of not having a documented plan was evident in several areas:

- The diffusion of risk management responsibilities across multiple Fort Bend ISD areas.
- Lack of communications from the Risk Management Unit to other departments within the District.
- Key risk management functions are not being performed, such as the lack of a strategic review of insurance coverages, loss and exposures.
- The lack of reviewing and identifying risk exposures including risk management emergency plan responses.

**Recommendation 14: Develop a comprehensive risk management plan that includes input from all departments.**

The District should develop and implement a district-wide coordinated and comprehensive risk management plan that includes the four primary methods for addressing risk: avoidance, risk reduction/control, assumption, and transfer.

The plan should be based on a straightforward methodology that includes identifying and categorizing risks (identify), assessing and prioritizing the risks (analyze), developing a response strategy and assigning responsibility (plan), tracking the risks by reviewing them on a regular basis (track), implementing response strategies as required (control) and, most importantly, communicating the risks and strategies on an ongoing basis.

The plan will need to rate risks by their impact on the District and by their probability of occurrence. Figure 7 should be used in grading risks in order to establish which risks the District should address first. For example, the probability of a hurricane is “medium” and the impact would be “critical”, therefore it should be ranked as a high priority item for the District to address.

**Figure 7. Risk Assessment Matrix**

↓ Impact Probability →	High Very Likely	Medium Probable	Low Improbable
H – Critical	HIGH	HIGH	MEDIUM
M - Marginal	HIGH	MEDIUM	LOW
L - Negligible	MEDIUM	LOW	LOW

Source: Kite Services, LP

**Management Response:** Management agrees with this recommendation. Risk Management has developed an Access database model to implement a district-wide coordinated and comprehensive risk management plan that includes the four primary methods for addressing risk: avoidance, reduction/control, retention and transfer. This model is based on a straightforward methodology that includes identification, analysis, planning, and controlling risks. It has capacity to rate the identified risks by their impact on the District and their probability of occurrence. Risk Management will incorporate Risk

*Assessment Matrices for each identified risk into the database by December 2017 and will review all (transfer) insurance policies for appropriateness in coverage and benefit by March 2018.*

## Insurance Policies and Processes

Risk is the potential for gaining or losing something of value. It is the primary reason why individuals and organizations purchase insurance. Insurance provides financial protection to the insured person or organization in the event of a loss resulting from a named peril or risk that is specified in the insurance policy. School districts purchase insurance to protect students, employees and visitors in the event of sickness or injury, and to protect against the financial burden of potential lawsuits and property damage.

The insurability of the risk – its value and potential loss, damage, or injury – is one of the key factors an insurance provider uses for underwriting. These factors, combined with the level of coverage provided, will primarily determine the rate, or premium, the carrier will charge. In general, the greater the value of the item insured and the greater the risk of the claim, the higher the premium rate will be. A carrier may determine that certain risks are too high and decline to issue coverage entirely, or only issue coverage on the condition that certain items or causes of loss are excluded from the policy. Most policies will contain exclusions for some causes of loss. It is important to understand a policy's terms completely because unless a loss is within the terms set by the policy, the carrier will not pay. Almost every type of insurance policy will contain a provision for deductible amounts and a provision for limitation of coverage (i.e., the maximum amount toward any covered loss for which the insurance company is liable).

In general, a policy with a higher deductible (assumption of risk) will have a lower premium, because the District is accepting a greater share of the financial responsibility for a loss. Higher limitations of coverage amounts will generally result in a higher premium, as the maximum amount for which the insurer could be liable is greater. Certain policies that have very high deductibles are often referred to as self-insured retention plans. Under such policies, the District accepts financial responsibility for the value of most anticipated losses; essentially acting as its own insurer. The purpose of the retention policy is to protect the District from an unexpectedly large number of claims or a catastrophic claim that could pose an extreme financial burden. Premiums for retention policies, in general, are substantially lower than policies with standard deductibles. This is because the District is accepting most of the anticipated financial responsibility for losses. In many ways, the pooling programs that Fort Bend ISD participates in work this way.

The risks covered by a policy, deductible amounts, and limitation of coverage amounts can all be negotiated with a carrier to arrive at a premium a district can afford. A district should be careful of purchasing coverage at too low a premium, since it likely will not provide the level of coverage the District needs. A school district should generally only purchase insurance coverage within the framework of a formal risk management process.

## *Required Coverages*

Texas law requires school districts to maintain the following coverages:

- Health care coverage for full-time school district employees that is at least comparable to the coverage of State of Texas employees.
- Workers' compensation insurance to cover workers who suffer work-related injuries or illnesses.
- Medical liability insurance to cover volunteer physicians and registered nurses who administer treatment or medication to students.
- Minimum automobile liability insurance, which pays other people's expenses for accidents caused by drivers covered under the District's policy.

Districts may further opt to purchase any of the following coverages:

- Bodily injury insurance for injuries sustained by students during athletic competition. The law limits the amount of coverage a district may purchase and stipulates that failure to carry it does not create any increased legal liability.
- Commercial property insurance to protect against damage to district property caused by fire, windstorm, lightning, etc. Other property-related coverages that typically require the issuance of a separate policy include crime and windstorm insurance for districts in coastal areas.
- General liability insurance to protect against wrongful acts or omissions or the negligence of employees resulting in bodily injury or property damage.
- Educator's Legal Liability (ELL), a specialized professional liability policy that provides liability coverage, including defense for teachers, school leaders, district officers, and board members for acts, errors, and omissions arising from their services as professional educators. It usually covers such allegations as discrimination, harassment, and failure to educate. Volunteers may be included.
- Collision and comprehensive auto insurance to protect district-owned vehicles from accidents in which the driver is at fault and non-traffic related physical damage such as theft, hail, or fire.

## *Governmental Immunity*

The State of Texas is generally held to be immune from liability and lawsuits under the doctrine of "sovereign immunity". Courts have ruled this to mean State of Texas entities, including school districts, cannot be sued in Texas courts without consent of the Legislature. In reality, immunity is not a bar to lawsuits; rather, it is a defense that a defendant can use. A court can accept the defense of immunity or reject it. A district should not depend on the doctrine of governmental immunity to protect it from

lawsuits.<sup>2</sup>

The Texas Tort Claims Act expressly waives government immunity in the event of property damage or injury arising from the "wrongful act or omission or the negligence of an employee acting within the scope of his or her employment", the "operation or use of a motor-driven vehicle or motor-driven equipment," and the "condition or use of tangible personal property," in this case property owned by the District.<sup>3</sup>

The Texas Tort Claims Act establishes some limits on legal damage awards that may result from such liability, a fact the District may wish to consider when deciding the limits of liability to purchase. For local government entities other than municipalities, including school districts, liability for money damages is limited to \$100,000 for each person, \$300,000 for each single occurrence of bodily injury or death, and \$100,000 for each single occurrence of injury or destruction of property.<sup>4</sup>

This audit included a detailed assessment of some of the District's primary insurance policies and coverages: liability, auto, workers' compensation, and the student accident benefit plan. A limited assessment was completed for the District's property program due to the lack of information available.

### ***Property Coverages***

Lexington Insurance Company and numerous property excess carriers provide property, flood, windstorm, and equipment breakdown coverage to the District. One of the largest risk management exposures is that of damage to the District's physical assets – its school buildings. The District's current scheduled property and content values are slightly under \$1.9 billion. The District property deductible is \$100,000 for all other perils (AOP) and a 3% named storm deductible. The named storm deductible is 3% of the total value at the time of loss at each location with a minimum deductible of \$250,000. Gibson was unable to determine if the property coverage is adequate since the property program is not managed.

### ***Liability Coverages***

The Texas Association of School Boards (TASB RMF) provides coverage to the District for the two types of liability insurance most often purchased by school districts. *General Liability*, which protects against bodily injury claims, and *Educators Legal Liability* (ELL), which protects against charges such as harassment, discrimination, and improper hiring/firing. The District has limits of \$2 million for each of these coverages, which Gibson finds to be sufficient.

### ***General Liability***

The cost of this coverage in Texas is relatively low compared to other states, due to the doctrine of "sovereign immunity" mentioned earlier. This doctrine is often difficult for the public to understand and sometimes causes a "stressful" situation as it relates to possible claims.

<sup>2</sup> *Sovereign immunity ruling: Walsh v. The University of Texas, 196 S. W.2d 99*

<sup>3</sup> *Immunity Exceptions: Texas Civil Practice and Remedies Code, Title 5 Section 101.021-022*

<sup>4</sup> *Limits on damage awards: Texas Civil Practice and Remedies Code, Title 5 Section 101.023*

The policy also affords the required medical liability insurance, which covers volunteer physicians and registered nurses who administer treatment or medication to students. This policy also covers employee benefits liability.

### **Educators Legal Liability (ELL)**

This coverage is very important. Since it is not standardized in Texas, it is an ever-changing coverage for Texas school districts. More coverage differences lie in this coverage than any other coverage that the school purchases. An ELL policy covers both the cost of defending against allegations in court and of potentially large damage awards which can result from a legal finding of fault. The TASB RMF program provides some of the most comprehensive coverages of any insurance provider or program in the state. Several important items relating to ELL include:

- Covered persons including past and present school board members, employees, student teachers, and volunteers.
- Non-pecuniary relief defense is covered with sub-limits of \$100,000/\$300,000. Non-pecuniary relief generally involves a situation where someone is trying to get the school to change its policy or a decision.
- Board members and employees who serve on other Boards are covered, as long as it is within the course and scope of their employment at Fort Bend ISD.
- Sexual misconduct, abuse, and molestation are covered with full limits of \$2,000,000.
- Defense costs are in addition to the limit of liability.

There have been very few claims paid on the General Liability coverage, but several claims have been filed against the SPLP coverage. The largest SPLP claim is still open. The claim has a date of loss of May 13, 2015, with a total incurred estimate of over \$300,000. In general, with the exception of the large open SPLP claim, both General Liability and SPLP claim amounts are reasonable.

### ***Auto Coverages***

The TASB RMF provides coverage to Fort Bend ISD for auto liability and auto physical damage. State law requires districts to purchase minimum liability coverage for all owned, rented, or regularly used motor vehicles. The Texas Tort Claims Act caps a district's auto liability at \$100,000 for bodily injuries per person, \$300,000 for total bodily injury per accident, and \$100,000 per accident. Even though the Texas Tort Claims Act caps the District liability in Texas, other states in which Fort Bend ISD travels may have different liability caps. TASB RMF automatically increases these limits for out-of-state coverage.

Liability and auto claims for the past several years have remained steady with the exception of the 2015-16 due to the large SPLP claim. Table 6 displays an analysis by fund year by line of coverage for the fund years 2011-12 through the current period. During the 2013-14 year, the policy anniversary date was changed from September 1 to March 1. Accordingly, the 2013-14 data represents approximately 59 percent

of a full fiscal year.

**Table 6. Fort Bend ISD Liability Claims by Count and Incurred Costs from 9/1/2011 – 2/28/2017**

Count	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Grand Total	%
Term (months)	12	12	6	12	12	12		
Auto Liability	91	59	41	61	78	58	388	67.1%
Auto PD	25	19	16	27	30	7	124	21.5%
General Liability	9	11	3	3	4	3	33	5.7%
SP Legal Liability	2	3	1	9	15	3	33	5.7%
<b>Grand Total</b>	<b>127</b>	<b>92</b>	<b>61</b>	<b>100</b>	<b>127</b>	<b>71</b>	<b>578</b>	
Incurred Costs	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Grand Total	%
Auto Liability	\$238,448	\$167,250	\$203,579	\$256,055	\$361,976	\$146,190	\$1,373,498	56.6%
Auto PD	\$90,490	\$74,624	\$72,700	\$103,882	\$170,828	\$34,770	\$547,293	22.6%
General Liability	-	-	-	\$2,182	-	-	\$2,182	0.1%
SP Legal Liability	-	\$57,210	-	\$55,478	\$391,108	-	\$503,796	20.8%
<b>Grand Total</b>	<b>\$328,939</b>	<b>\$299,083</b>	<b>\$276,279</b>	<b>\$417,597</b>	<b>\$923,911</b>	<b>\$180,960</b>	<b>\$2,426,769</b>	

Source: Texas Association of School Boards Risk Management Fund

### Workers' Compensation

Workers' compensation insurance covers workers who suffer work-related injuries or illnesses. Although the coverage is not required for private-sector employers, it is mandatory for Texas school districts.

Fort Bend ISD has elected to self-fund its workers' compensation program. The District purchases excess insurance protecting the District from individual catastrophic occurrences from Midwest Employers Casualty Company. This insurance provides protection from any occurrence that exceeds \$400,000. An accident could involve more than one person (an occurrence). The cost for this coverage for 2016-17 was \$160,968 or .0371 percent of payroll, which Gibson believes is reasonable. The District sought excess proposals for the 2016-17 term and was successful in reducing its rate by almost 30 percent. This decrease in rate is primarily due to a reduction in claims over \$30,000 in the most recent five-year period and to the competitive market conditions. Table 7 displays a summary of the excess insurance purchases from 2012 to 2017.

**Table 7. Fort Bend ISD Workers' Compensation Excess Provider and Premiums 2012-13 through 2016-17**

	2012-13	2013-14	2014-16	2016-17
Excess Provider	Safety National	Safety National	Safety National	Midwest
Specific Limit	\$350,000	\$350,000	\$350,000	\$400,000
Rate/\$100 Payroll	.0450	.0486	.0525	.0371
Premium	\$155,300	\$184,586	\$214,402	\$160,968
Payroll	\$345,110,374	\$379,806,790	\$408,384,153	\$433,876,634

Source: Fort Bend ISD - Excess Policy Declarations Pages

The TASB Risk Management Fund (RMF) provides third-party claims administrative (TPA) services to the District. The District pays for services based upon the type of workers' compensation claim (record only,



medical only, and indemnity). The District pays out approximately \$225,000 in administrative only service (ASO) fees annually. The ASO fees paid to TASB RMF are in line with other TPA providers. TASB RMF also provides actuarial services and loss prevention services to the District upon request. The TASB RMF has been recognized by the Texas Department of Insurance for the most recent year (2016) in their *Performance Based Oversight (PBO) Systems Results* as a High Tier Performer. The report assesses the performance of insurance carriers and providers.<sup>5</sup>

The audit team examined the District's worker's compensation losses to identify any significant trends (positive or negative), and found that claims for the past several years have remained steady. This is due in large part to the absence of any large claims greater than \$100,000. The District has only had one claim over \$100,000 since 2010. A detailed claims analysis by fund year, campus, occupation and nature of injury for the fund years 2011-12 through the current period can be found in Appendix B.

Table 8 displays the District's workers compensation claims by occupation from December 2012 to February 2017. No noticeable trend was observed in claims by occupations. Class code 10 which includes professional, clerical and administrative positions normally makes up about 60% of claims cost with class codes (20, 30, 40 and 50) making up about 10% each. Transportation and Custodial were slightly higher but building maintenance was lower than expected, which reflects good safety and management practices in this area.

**Table 8. Fort Bend ISD WC Claims by Occupation from 12/1/2012 – 2/28/2017**

Occupation	2012-13	2013-14	2014-15	2015-16	Grand Total	%
010 Prof/Clerical/Admin	\$630,349	\$676,639	\$559,134	\$659,584	\$2,525,706	59.7%
050 Transportation	\$289,374	\$97,607	\$81,026	\$62,302	\$530,309	12.5%
040 Custodial	\$117,460	\$167,744	\$100,281	\$78,591	\$464,076	11.0%
030 Food Service	\$98,082	\$171,222	\$75,158	\$66,090	\$410,551	9.7%
020 Building Maintenance	\$27,321	\$17,646	\$81,908	\$36,272	\$163,148	3.9%
060 All Other	\$26,845	\$34,122	\$5,037	\$21,504	\$87,508	2.1%
000 Unknown		\$23,105	\$10,420	\$15,987	\$49,512	1.1%
<b>Grand Total</b>	<b>\$1,189,432</b>	<b>\$1,188,083</b>	<b>\$912,963</b>	<b>\$940,331</b>	<b>\$4,230,810</b>	

Source: Texas Association of School Boards Risk Management Fund

Table 9 displays Fort Bend ISD Workers compensation claims by cause and nature from December 2012 to February 2017. The cause of the Fort Bend ISD claims were consistent in what is seen in other districts. The National Safety Council in their *Injury Facts – 2015 Edition* reported that the top three workers' compensation injuries were due to overexertion (strain), falls, and struck-by-people-or-objects. The nature of claims was also consistent with what is typically seen, which is 40 to 45 percent of claimants suffering from strains and sprains.

<sup>5</sup> <http://www.tdi.texas.gov/wc/pbo/pboresults.html>

**Table 9. Fort Bend ISD Top 3 WC Claims by Cause and Nature from 12/1/2012 – 2/28/2017**

	2012-13	2013-14	2014-15	2015-16	Grand Total	%
<b>Cause of Claim</b>						
Fall/Slip	\$368,290	\$570,570	\$321,950	\$392,790	\$1,653,600	39.1%
Strain	\$308,354	\$236,133	\$209,542	\$214,553	\$968,583	22.9%
Caused by Person(s)	\$251,695	\$225,901	\$197,633	\$206,775	\$882,004	20.8%
<b>Nature of Claim</b>						
Strain	\$368,773	\$287,566	\$245,918	\$278,026	\$1,180,283	27.9%
Contusion	\$155,382	\$228,495	\$129,029	\$194,816	\$707,722	16.7%
Sprain	\$68,177	\$194,867	\$165,517	\$150,872	\$579,433	13.7%

Source: Texas Association of School Boards Risk Management Fund

Table 10 is a review of claims by campuses and departments. The Hodges Transportation Department, L.V. Hightower High School and Thurgood Marshall High School were the top three locations for incurred claims. This is primarily due to the number of staff members at each of these locations.

**Table 10. Fort Bend ISD Locations with Claims Cost of Greater than \$100,000 from 12/1/2011 – 2/28/2017**

Campus	Claim Count	Incurred Cost
TRANSPORTATION HODGES BEND	69	\$358,202
L V HIGHTOWER HIGH SCHOOL	56	\$258,884
THURGOOD MARSHALL HIGH SCHOOL	52	\$211,194
DISTRIBUTION CENTER	68	\$204,668
OPERATIONS ADMINISTRATION	98	\$195,644
POLICE, FACILITY & CONSTRUCTION	49	\$192,684
TRANSPORTATION LAKE OLYMPIA	77	\$162,556
ADMINISTRATION ANNEX BUILDING	42	\$149,453
ADMINISTRATION BUILDING	58	\$133,086
BARBARA JORDAN ELEMENTARY SCHOOL	20	\$119,571
STEPHEN F AUSTIN HIGH SCHOOL	27	\$114,668
HUNTERS GLEN ELEMENTARY SCHOOL	19	\$109,735
LAKE OLYMPIA MIDDLE SCHOOL	47	\$101,392
RIDGE POINT HIGH SCHOOL	16	\$100,755

Source: Fort Bend ISD

### ***Student Accident and Health Coverage***

Student Accident and Health Coverage provides coverage for accidental injuries that occur while students are playing sports or participating in other school-sponsored activities. It is important to note that this policy is in excess of and secondary to any coverage or health plan the student may have. A comprehensive student accident program should not only be for those students who participate in University Interscholastic League (UIL) sport activities, but also should include students that are involved in extracurricular school activities such as band, cheerleading, majorette, student coaching, student trainers/managers, and those students involved in choir, drama, and all academic extracurricular activities. School-sponsored activities, such as class trips and summer school, should also be included. Additionally,

coverage for “7-on-7 Football” passing leagues and supervised summer weight conditioning programs are typically included in a comprehensive student accident and health coverage plan.

### ***Findings and Recommendations***

#### ***Finding 15: The Risk Management Unit is not managing the District property insurance program.***

The management of the Fort Bend ISD property insurance program is currently performed by the insurance agents rather than by the Risk Management Unit. The Risk Management Unit is provided very limited information concerning the District’s property program, and therefore loss information is not being tracked or analyzed, and it is undetermined if property coverages and sub-limits are adequate for the District. Premiums have not been evaluated in comparison to the market and other school districts, so the Risk Management Unit cannot assess whether or not the rates and coverages provided are reasonable. Further, the District’s property renewal date continues to change, is not a 12-month policy, and therefore does may be limiting competition.

The District has been unable to find or it has not completed a windstorm probability analysis. This analysis, which should be part of the standard annual renewal, helps predict losses at numerous levels (years). Most risk managers feel that a 0.200% critical probability (500 years) is a good benchmark for the named storm limit. It is difficult to determine without this report if the named storm limit of \$85 million is adequate for the District’s values.

#### **Recommendation 15: Ensure that the Risk Management Unit reviews property coverages, exposures, limits, and losses.**

The District should conduct an in-depth review of its property coverages and premiums as soon as possible. Due to the lack of available information it is difficult to determine the financial exposure to the District at this time. Specifically, the District should address the following:

- The District has been purchasing its property coverage on an 18-month basis for the past three terms, instead of a standard 12-month policy. Several of these terms have expiration dates of September 1<sup>st</sup>, which is not recommended for Tier 1 or Tier 2 coastal properties. An expiration date of September 1<sup>st</sup> is not recommended since it coincides with the peak Atlantic hurricane period. A possible change in carriers during this period could be difficult. The Risk Management team assumes that this has been done due to pricing; however, there is usually no financial advantage for an 18-month contract versus a 12-month contract. Changing the anniversary date may give a competitive advantage to the current agency group. Other agencies and excess carriers, being unsure of the anniversary date, are at times unable to work with their insurance markets. This may be limiting competition for Fort Bend ISD’s business.
- Since the current property policy expires on March 1, 2018, it is recommended that all property and liability coverages consolidate to this same date. Proper limits, deductibles, and premiums should be reviewed closely. The District should have a strategic approach for renewals to ensure

that it is getting appropriate insurance coverage and premiums. The District should also review Texas Education Code section 44.031 and establish its multi-year agreements and bidding cycle accordingly. Most districts bid on a three or five year cycle, or as needed, due to servicing or pricing issues.

- A historical review of property losses is needed to determine if any campus or location has any poor historical trending patterns. Losses need to be reviewed to determine if they could have been prevented and, if so, what measures should be taken to prevent future losses.

Figure 8 is an example of a district windstorm analysis.

**Figure 8. Example WindStorm Analysis**

**SAMPLE ISD - Exceedance Probability Analysis - Windstorm - US**

The table below illustrates the probability of ground up losses exceeding various amounts due to one or multiple events in a given year, as described by the Occurrence Exceedance Probability (OEP) and Aggregated Exceedance Probability (AEP), respectively. There is a 0.2% chance that one or more events will cause at least \$60,052,505 in ground up loss in any given year. On a long-term average annual basis, the SAMPLE ISD account is expected to sustain \$655,651 in ground up loss. The variability of this amount, noted below as the standard deviation, is representative of the uncertainty in the magnitude of losses caused by an occurring event.

**Key Return Period Losses - U.S. - Windstorm - US**

Critical Probability	Return Period (years)	Aggregate Exceedance Probability			Occurrence Exceedance Probability		
		Ground Up Loss	Gross Loss	Client Loss	Ground Up Loss	Gross Loss	Client Loss
0.010%	10,000	\$171,678,535	\$141,936,821	\$1,951,530	\$170,660,586	\$141,098,593	\$1,660,752
0.020%	5,000	\$143,699,983	\$130,387,295	\$1,740,403	\$142,745,096	\$129,725,642	\$1,611,196
0.100%	1,000	\$82,666,030	\$80,660,622	\$1,414,676	\$81,984,059	\$79,928,444	\$1,215,895
0.200%	500	\$60,052,505	\$58,786,693	\$1,197,301	\$59,519,463	\$58,245,090	\$1,114,573
0.400%	250	\$40,211,009	\$39,321,699	\$1,055,122	\$39,832,333	\$38,912,316	\$961,448
1.000%	100	\$18,786,114	\$17,956,213	\$883,185	\$18,601,685	\$17,809,703	\$853,396
2.000%	50	\$7,292,720	\$6,584,688	\$677,259	\$7,220,460	\$6,528,131	\$659,233
4.000%	25	\$1,320,513	\$722,026	\$517,029	\$1,308,058	\$719,479	\$514,881
10.000%	10	\$3,873	\$0	\$2,009	\$1,948	\$0	\$1,988
20.000%	5	\$810	\$0	\$29	\$7	\$0	\$28
Average Annual Loss					\$655,651	\$607,267	\$40,509
Standard Deviation					\$5,630,943	\$5,285,186	\$164,743
Coefficient of Variation					9	9	4

Source: Risk Management Solutions (RMS)

**Management Response:** Management agrees with this recommendation. Risk Management will update property (and contents) valuations for current Replacement Cost values (market values are not useful for this purpose.) by March 2018 and will identify trends in property losses and request a WindStorm Analysis and Flood Analysis from McGriff by May 2018.

**Finding 16:** Fort Bend ISD does not conduct a workers’ compensation claims review process to monitor losses and loss control activities.

The District has recently hired a Loss Prevention Specialist to help with loss prevention activities. To date, the loss prevention specialist focus has been to assist with high exposure groups, which is a good start, but without baseline and regular analysis it is difficult to determine if the loss prevention efforts are focused correctly to effectively mitigate losses.

The District is not thoroughly reviewing the details its workers' compensation losses, nor is it making use of the reports provided by the third-party administrator (TASB RMF). Each department informally reviews losses on an as-needed basis. In most cases, claims are not reviewed by the department unless it a major claim.

**Recommendation 16: Implement processes and procedures to regularly review workers' compensation losses to focus on loss prevention and control efforts.**

A formal review process should be implemented by the Risk Management Unit on a quarterly basis for each department. Semi-annual and on-site claims review meetings should also be established with the workers' compensation third-party administrator. All schools and departments should be encouraged to attend these reviews.

The risk management staff is planning to implement a software system to assist in analyzing workers compensation claims. The staff should also focus on identifying preventable versus not preventable claims.

The District's Return-to-Work (RTW) program can have a significant impact on reducing lost time claims. TASB RMF has excellent resources to assist the District with its RTW program.

**Management Response:** *Management agrees with this recommendation. One of the 2017-18 performance goals for the Workers Compensation Specialist is to reduce the severity of the identified top three causes of employee injury (student-caused, slips/trips/falls, and strains/sprains.) This effort includes consistent and frequent communication with the third party administrator adjusters to be more hands-on in the claims management process. Risk Management will arrange for a claims review with TASB for top three injury causes, and implement use of MicroNiche and coordinate a single communication strategy for claims severity and frequency for Loss Prevention Specialist and Workers Compensation Specialist with campus and department administration by December 2017.*

**Finding 17: The student accident health coverage UIL and catastrophic plans do not have a common anniversary date and are missing some key benefits.**

The student accident insurance benefit is provided by the National Union Fire Company. This UIL base coverage policy has an effective date of November 17, 2016 through July 1, 2017. Most policies are in effect for 12 months with a policy effective date of August 1<sup>st</sup> (it is unclear why there is a short policy date for the 2016-17 year). The policy has a limit of \$25,000 per accident. The policy does not appear to have a medical network tied to the benefits (such as Texas True Choice or the Texas Kids First Provider network). These networks accept most benefits on full assignment (no balance billing). It is also unclear if the UIL policy includes all students involved in extracurricular activities.

The catastrophic policy is written through Zurich Insurance Company. The policy is in effect for 12 months starting August 1, 2017, and has a deductible of \$25,000 so it becomes effective when the UIL benefit limit is reached. The Fort Bend ISD plan is missing the Catastrophic Cash Benefit (Cat Cash).

**Recommendation 17: Review student accident health coverage and implement a \$100 deductible, changed dates, and coverage benefits.**

The student accident and health program is missing some key elements. Several areas that need to be addressed:

- The UIL and Catastrophic insurance plans should have a common anniversary date. The policy should begin on August 1<sup>st</sup> for a 12 month period. This allows all the spring sports to come to a close, and the date is just before fall football practices begin.
- Add a Catastrophic Cash Benefit option. This benefit (benefit amount of \$500,000) is designed to provide a cash benefit to the family of a severely injured student athlete. It has been shown that in the event of a catastrophic injury, the family typically faces an economic impact over and above all medical costs. This is a relatively low cost benefit that should be added.
- Coverage should include all UIL sport activities and students involved in extracurricular school activities.
- Coverage should include a student accident network, so that most benefits are accepted on full assignment.
- While no claims or historical information were available to the audit team, it is recommended that a \$100 deductible should be implemented. A deductible for a student accident plan will normally decrease claims by 12 to 15 percent-since parents will seek treatment from trainers for less severe injuries. Some districts have deductibles as large as \$750.
- Claims data should be collected and reviewed quarterly.

**Management Response:** *Due to significant increases in premium and inability to control claim costs, it has been determined the District will not provide that Student Accident Insurance coverage at this time. Instead, we have worked to promote the voluntary Student Accident Insurance coverage. This has been widely communicated to District coaches and parents.*

**Finding 18: In most cases, the District's insurance coverages are not being reviewed until after the renewal is received.**

The District is not coordinating their insurance renewals and bidding process, and therefore not reviewing coverages and determining if the insurance policies and programs are at market pricing. The Risk Management Unit is only using its current insurance carriers and is not using any outside source to establish market pricings. As a best practice, the District should not exclusively rely on their insurance agents.

The District sought through a request for proposal (RFP) excess workers' compensation in 2016, but no other insurance coverages have been bid out that could be identified. Many similar insurance types are on various anniversary dates. For example, the District has five flood insurance policies on three different

expirations dates. There is not a coordinated effort to review each program or plan on a three to five year basis. The District's numerous insurance coverages and plans are typically reviewed only after a renewal is received.

**Recommendation 18: Plan a coordinated insurance competitive bidding process.**

The dates of similar coverages should be consolidated and the District should competitively bid insurance coverage every three to five years, if they are pleased with the services being provided. If the District is not satisfied with the services being provided by an insurance carrier or group, then the District may elect to competitively bid more often.

Texas State law dictates how school districts must secure insurance. The Texas Attorney General has opined that the purchase of insurance falls under the requirements of Texas Education Code section 44.031<sup>6</sup>. As a result, any insurance contract valued at or over \$50,000 in the aggregate must be procured in a manner specified by this statute. The audit team finds the District in compliance, however, further investigation could be needed in the District's property program. See resulting recommendation in Findings and Recommendations section of the report. In addition, the District should be mindful that they are prohibited from using agents or brokers of record for procurement of insurance required to be purchased through the procedures found in Texas Education Code section 44.031<sup>7</sup>.

**Management Response:** *Management agrees with this recommendation in light of Hurricane Harvey and expected changes in the market. RFP project timeline:*

<i>Advertise:</i>	<i>September 2018</i>
<i>Q&amp;A:</i>	<i>Mid-October 2018</i>
<i>Close:</i>	<i>Mid-November 2018</i>
<i>Negotiate:</i>	<i>November, December, January 2018/19</i>
<i>BOT/Contract:</i>	<i>February 2019</i>
<i>Transition:</i>	<i>March 01, 2019</i>

## Risk Exposures

The goal of a risk management program should not be to eliminate risk totally, but rather to provide the structural means to identify, prioritize, and manage the risks involved in all district activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived. Part of risk control is preventing loss by identifying loss exposures, and implementing policies and procedures to reduce the risk of these losses occurring.

<sup>6</sup> Op. Tex. Att'y Gen. No. DM-337 (1995)

<sup>7</sup> Op. Tex. Att'y Gen. No. JC-205 (2000)

## ***Findings and Recommendations***

***Finding 19: The District does not administer on-site campus and facility safety loss control surveys, and therefore cannot adequately evaluate loss exposures and risk-control initiatives.***

As part of audit testing, Gibson administered a campus loss control survey at three schools: Hightower High School, Lake Olympia Middle School, and Mission West Elementary School. The purpose of the survey was to review the major loss exposure areas at select schools and evaluate their risk control initiatives. The individual school survey results are included in Appendix C.

In general, the audit team found all campuses to be in good condition. Management is focused on providing a safe, secure environment for students and staff. Some of the strengths identified in the survey results include:

- Effective storage arrangement for equipment and supplies to limit “struck-by” and material handling exposures
- Band halls and classrooms appeared to be well-organized and storage practices were appropriate
- Janitorial closets are well organized and clean
- Well-maintained school campuses that prevent slip/trip/fall hazards

The audit team did identify several minor issues that should be addressed, but nothing critical in nature.

***Recommendation 19: Annually administer campus and facility safety loss control surveys, analyze results, and ensure corrective actions are taken.***

Campus and facility surveys are an important part of the risk management process in identifying risk. The audit team recommends that they be performed on annual basis by the risk management team. Any corrective actions should be addressed by the appropriate schools and departments, and all findings should be reviewed by campus administration. It is also recommended that follow-up procedures be implemented to ensure that corrective action is being taken.

***Management Response:*** *Management agrees with this recommendation. By December 2018, Risk Management will collaborate with the Police Department and Emergency Management Coordinator to establish systems that ensure annual campus and facility safety loss control surveys are scheduled, as well as systems to address corrective action follow up. We will implement the new systems to ensure annual surveys are performed during the 2018-19 school year.*

***Finding 20: The District is not utilizing all available resources to reduce risk and prevent loss.***

Many of the insurance providers and carriers offer loss prevention services as part a program package. These insurance providers are not being contacted and their services are not being coordinated by the risk management team to assist with loss prevention efforts. Part of the District’s agreement with the TASB RMF for workers’ compensation administration is for loss prevention services in the amount of \$5,000



annually. The District has not used TASB RMF for on-site loss prevention efforts and are not using other TASB RMF online available resources such their safety library.

**Recommendation 20: Leverage insurance providers to conduct loss prevention services, as these services are typically included in existing contracts.**

The District should utilize the loss prevention services and programs offered by its insurance providers. Many of these services are free and are offered as part of their existing insurance program. For example, the excess worker's compensation carrier, Midwest Employers, offers industry-specific toolkits, safety webinars, and loss prevention assessments. The District should coordinate these efforts so they are not duplicated between insurance providers and/or the risk management staff.

**Management Response:** *Management agrees with this recommendation and it is already part of District's Risk Management strategy. The Risk Management team will continue use of risk management services from McGriff, Seibels & Williams for bond and insurance verification with training as necessary; continue use of Midwest Employers for workers comp claims analysis and management assistance; continue use of TASB's loss prevention services for Safe Schools on-line training and face-to-face occupational training.*

**Finding 21: The Risk Management Unit does not have a plan concerning emergency and catastrophic events.**

The Risk Management Unit does not have a plan on how they will work within their area, other school departments and with outside providers (insurance carriers) concerning natural catastrophes and man-made disasters. A coordinated plan is important to help protect students and staff from physical harm, minimize disruption, and ensure the continuity of educating students.

**Recommendation 21: Implement risk management "emergency" plans and responses.**

The number of natural catastrophes and man-made events have increased worldwide since 1970.<sup>8</sup> The Risk Management Unit does not have a "risk management" emergency plan and essential responses for these types of events. This needs to be a coordinated plan within the District and with insurance providers if a catastrophic event was to occur.

This plan needs to be coordinated with the District's Emergency Management Unit and with the District's safety and security master plan. Working specifically with the property and liability insurance providers to assess risk, hazards, and vulnerabilities will be an important start in creating the plan. The planning will also help identify any needed coverages or insurance limit inadequacies.

**Management Response:** *Management agrees with this recommendation. This task is currently a function of the Emergency Management Coordinator. Emergency Response plans are currently in place for all campuses and plans will be documented for non-campus facilities. Risk Management and the Emergency Management Coordinator will collaborate to review current plans, develop emergency plans and essential*

<sup>8</sup> Swiss Re Economic Research & Consulting, *Catastrophic Perils*, No. 1/2016 report

*responses for natural catastrophes and man-made events for all facilities, and aggregate all plans into a single reference file and review annually. The development of a comprehensive Emergency Management plan has been assigned as a District-wide project and has been placed under the District Management Office, with the goal to have a plan completed by July 2018.*

## Appendix A – Audit Interview Roster

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- Charles Dupre, Superintendent
- Steve Bassett, Chief Financial Officer
- Kelly Schlacks, Director of Finance
- Bridget Chustz-Morrison, RM Assistant Director
- Michael Brassfield, Transportation Director
- Dina Edgar, Executive Director-Business & Finance
- Risk Management Team, Focus Group Session
- Suzanne Owen, Previously Manager-Fixed Assets/Cash Mgmt
- Laura Alvarez, Manager-Fixed Assets
- Bridget Chustz-Morrison, RM Assistant Director
- Robert Smith, Fixed Asset Specialist
- Gail Stotler, Child Nutrition Director
- Steve Viro, Director of Purchasing
- Anita Bertucci, RM Workers Compensation Specialist
- Gary Gamble, RM Loss prevention Specialist
- Jojo Jacob, Technical Support Services Director
- Raquel Lozano, RM Generalist
- April Mitchell, Eboni Burgess, Kimberley Reeves, RM Contracts Specialist
- Donna Whisonant and Beth Smart, Budget Manager, Admin Assistant
- James Dancer, Emergency Mgt Coordinator
- John Bridges and Joe Reyes, Warehouse Director; Assistant Director-Warehouse/Instructional Materials, Assistant Warehouse Manager
- Hightower High School, Maintenance/Custodial Staff
- Christopher Morgan, Kelly Kelly, and Stephanie McDowell, Budget Manager, Admin Assistant
- Lake Olympia Middle School, Maintenance/Custodial Staff
- Janis Longmire, Kimberly House, and Troy Hodge  
Budget Manager, Admin Assistant, Assistant Principal
- Mission West Elementary School, Maintenance/Custodial Staff
- Isaac Malbrough, Area Supervisor
- Damian Viltz, Executive Director- Facilities
- Jimmy Bell , Environmental, Health and Safety Manager
- David Moore , Director of Facilities (Operations)
- Robert Marsh , Director of Facilities (Maintenance)
- Steve Viro, Purchasing Director
- Gail Stotler, Child Nutrition Director

# Appendix B – Workers’ Compensation Claims Analysis

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**Fort Bend ISD Workers' Compensation Program  
Indemnity (I) and Medical Only (M) Claims  
Paid, Current Reserves and Total Incurred  
Accident Date Range: 12/01/2011 thru 02/28/2017**

Fund Year	Type	Total Paid	Reserve	Total Incurred
2011-12	I	871,494		871,494
	M	<u>234,690</u>		<u>234,690</u>
2011-12 Total		1,106,184		1,106,184
2012-13	I	848,225	15,306	863,532
	M	<u>325,901</u>		<u>325,901</u>
2012-13 Total		1,174,126	15,306	1,189,432
2013-14	I	930,574	22,308	952,882
	M	<u>235,201</u>		<u>235,201</u>
2013-14 Total		1,165,776	22,308	1,188,083
2014-15	I	651,641	8,348	659,989
	M	<u>252,974</u>		<u>252,974</u>
2014-15 Total		904,615	8,348	912,963
2015-16	I	568,127	119,627	687,754
	M	<u>250,961</u>	<u>1,616</u>	<u>252,577</u>
2015-16 Total		819,088	121,243	940,331
2016-17	I	14,876	80,868	95,745
	M	<u>18,255</u>	<u>36,510</u>	<u>54,765</u>
2016-17 Total		33,132	117,378	150,509
Grand Total		\$5,202,920	\$284,583	\$5,487,503

**Fort Bend ISD Workers' Compensation Program  
Indemnity (I) and Medical Only (M) Claims  
Paid, Current Reserves and Total Incurred  
Accident Date Range: 12/01/2011 thru 02/28/2017**

Campus	Claim Count	Incurred
840-TRANSPORTATION HODGES BEND	69	358,202
008-L V HIGHTOWER HIGH SCHOOL	56	258,884
Undetermined	114	232,215
012-THURGOOD MARSHALL HIGH SCHOOL	52	211,194
902- DISTRIBUTION CENTER	68	204,668
903-OPERATIONS ADMINISTRATION	98	195,644
904-POLICE, FACILITY & CONSTRUCTION	49	192,684
800-TRANSPORTATION LAKE OLYMPIA	77	162,556
704-ADMINISTRATION ANNEX BUILDING	42	149,453
700-ADMINISTRATION BUILDING	58	133,086
141-BARBARA JORDAN ELEMENTARY SCHOOL	20	119,571
007-STEPHEN F AUSTIN HIGH SCHOOL	27	114,668
122-HUNTERS GLEN ELEMENTARY SCHOOL	19	109,735
048-LAKE OLYMPIA MIDDLE SCHOOL	47	101,392
016-RIDGE POINT HIGH SCHOOL	16	100,755
046-CHRISTA MCAULIFFE MIDDLE SCHOOL	37	98,830
900-MAINTENANCE	47	91,251
047-HODGES BEND MIDDLE SCHOOL	27	86,266
005-I H KEMPNER HIGH SCHOOL	35	80,585
059-SPECIAL EDUCATION	41	80,193
009-PROGRESSIVE HIGH SCHOOL	6	78,475
011-GEORGE BUSH HIGH SCHOOL	26	73,544
115-LANTERN LANE ELEMENTARY SCHOOL	42	69,776
049-MACARIO GARCIA MIDDLE SCHOOL	17	67,975
002-WILLOWRIDGE HIGH SCHOOL	25	66,960
119-SUGAR MILL ELEMENTARY SCHOOL	16	62,141
042-MISSOURI CITY MIDDLE SCHOOL	26	60,781
114-TOWNWEST ELEMENTARY SCHOOL	14	60,762
139-LULA BELLE GOODMAN ELEMENTARY SCHOOL	21	60,479
041-DULLES MIDDLE SCHOOL	26	59,787
128-COLONY MEADOWS ELEMENTARY SCHOOL	17	58,362
118-MISSION BEND ELEMENTARY SCHOOL	14	57,630
102-LAKEVIEW ELEMENTARY SCHOOL	33	57,037
053-DAVID CROCKETT MIDDLE SCHOOL	16	54,634
004-CLEMENTS HIGH SCHOOL	20	54,294
145-OAKLAND ELEMENTARY SCHOOL	20	50,976
134-BURTON ELEMENTARY SCHOOL	23	50,418
121-PALMER ELEMENTARY SCHOOL	24	48,279
126-AUSTIN PARKWAY ELEMENTARY SCHOOL	20	46,884
142-SCANLAN OAKS ELEMENTARY SCHOOL	14	46,391
043-SUGAR LAND MIDDLE SCHOOL	26	45,672
001-DULLES HIGH SCHOOL	25	43,387
110-MEADOWS ELEMENTARY SCHOOL	4	42,813
101-E A JONES ELEMENTARY SCHOOL	25	41,267
120-SETTLERS WAY ELEMENTARY SCHOOL	22	41,153
052-BILLY BAINES MIDDLE SCHOOL	23	40,871
109-RIDGEMONT ELEMENTARY SCHOOL	23	40,854
136-BRAZOS BEND ELEMENTARY SCHOOL	10	40,207
147-CORNERSTONE ELEMENTARY	13	38,552
013-WILLIAM B TRAVIS HIGH SCHOOL	28	38,496
006-ELKINS HIGH SCHOOL	40	37,823
143-MARY AUSTIN HOLLEY ELEMENTARY SCHOOL	11	37,090
044-QUAIL VALLEY MIDDLE SCHOOL	30	36,464
113-BRIARGATE ELEMENTARY SCHOOL	22	36,161
140-RITA DRABEK ELEMENTARY SCHOOL	22	34,130
129-MISSION WEST ELEMENTARY SCHOOL	32	33,659
123-HIGHLANDS ELEMENTARY SCHOOL	13	32,318
138-OYSTER CREEK ELEMENTARY SCHOOL	20	32,283
054-JAMES BOWIE MIDDLE SCHOOL	9	31,763
127-BARRINGTON PLACE ELEMENTARY SCHOOL	14	30,248
116-RIDGEGATE ELEMENTARY SCHOOL	29	29,832
133-ARIZONA FLEMING ELEMENTARY SCHOOL	22	29,696
148-JAN SCHIFF ELEMENTARY SCHOOL	19	28,409
144-LYNN ARMSTRONG ELEMENTARY	17	27,591
706- EDUCATION COMPLEX	6	26,141
045-FIRST COLONY MIDDLE	18	25,228
131-EDGAR GLOVER JR ELEMENTARY SCHOOL	10	23,691
125-PECAN GROVE ELEMENTARY SCHOOL	11	23,294
108-BLUE RIDGE ELEMENTARY SCHOOL	13	20,881
130-WALKER STATION ELEMENTARY SCHOOL	9	20,792
149-JUAN SEGUIN ELEMENTARY SCHOOL	11	20,496
150-HERITAGE ROSE ELEMENTARY	13	18,077
OFF DISTRICT SITE	9	16,773
132-LEXINGTON CREEK ELEMENTARY SCHOOL	8	15,116
040-M R WOOD ALTERNATIVE SCHOOL	15	14,086
Sullivan Elementary	3	13,584
050-SARTARTIA MIDDLE SCHOOL	8	13,283
112-DULLES ELEMENTARY SCHOOL	9	12,702
PURCHASING AND WAREHOUSE	11	11,917
051-FORT SETTLEMENT MIDDLE SCHOOL	18	11,435
146-ROSA PARKS ELEMENTARY	19	11,138
124-MISSION GLEN ELEMENTARY SCHOOL	8	10,198
135-COMMONWEALTH ELEMENTARY SCHOOL	11	9,677
117-COLONY BEND ELEMENTARY SCHOOL	9	7,586
Madden Elementary	12	4,342
111-QUAIL VALLEY ELEMENTARY SCHOOL	7	4,100
760-NATATORIUM	4	4,002
003-TECHNICAL EDUCATION CENTER	1	3,379
137-SIENNA CROSSING ELEMENTARY SCHOOL	4	2,979
038-FERNDILL HENRY CTR FOR LEARNING	5	2,478
801-TRANSPORTATION MAINTENANCE LAKE OLY	5	1,013
841-TRANSPORTATION MAINTENANCE HODGES BD	1	569
010-JJAEP	1	386
751-ATHLETIC COMPLEX	1	
<b>Grand Total</b>	<b>2,178</b>	<b>\$5,487,503</b>

Source: Texas Association of School Boards Risk Management Fund

**Fort Bend ISD Workers' Compensation Program  
Occupation Analysis - Claim Counts and Incurred Costs  
Accident Date Range: 12/01/2011 thru 02/28/2017**

<u>Occupation</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
000 Unknown			10	8	5		23	1.1%
010 Professional/Clerical/Admin	207	245	245	273	302	64	1,336	61.3%
020 Building Maintenance	14	21	15	25	16	4	95	4.4%
030 Food Service	48	40	45	44	40	8	225	10.3%
040 Custodial	46	40	52	49	43	9	239	11.0%
050 Driver & Vehicle Maintenance	44	47	43	38	30	17	219	10.1%
060 All Other	8	5	11	6	10	1	41	1.9%
<b>Grand Total</b>	<b>367</b>	<b>398</b>	<b>421</b>	<b>443</b>	<b>446</b>	<b>103</b>	<b>2,178</b>	<b>100.0%</b>

<u>Occupation</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
000 Unknown			23,105	10,420	15,987		49,512	0.9%
010 Professional/Clerical/Admin	661,292	630,349	676,639	559,134	659,584	90,752	3,277,750	59.7%
020 Building Maintenance	60,691	27,321	17,646	81,908	36,272	1,417	225,256	4.1%
030 Food Service	101,473	98,082	171,222	75,158	66,090	17,736	529,761	9.7%
040 Custodial	130,867	117,460	167,744	100,281	78,591	12,215	607,158	11.1%
050 Driver & Vehicle Maintenance	130,032	289,374	97,607	81,026	62,302	24,940	685,281	12.5%
060 All Other	21,828	26,845	34,122	5,037	21,504	3,450	112,787	2.1%
				\$912,963	\$940,331	\$150,509	\$5,487,503	100.0%

**Fort Bend ISD Workers' Compensation Program  
Cause Analysis - Claim Counts and Incurred Costs  
Accident Date Range: 12/01/2011 thru 02/28/2017**

<u>Cause of Claim</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
Burn	6	7	11	14	14	2	54	2.5%
Caught	6	6	3	13	8		36	1.7%
Chemicals/Allergic Reaction	6	2	8	9	4	3	32	1.5%
Collision	17	11	14	12	7	2	63	2.9%
Cut/Scrape/Puncture	16	21	24	17	23	3	104	4.8%
Fall/Slip	97	120	117	129	148	28	639	29.3%
Injury Caused by Person(s)	37	101	98	109	114	38	497	22.8%
Misc	12	12	16	27	22	3	92	4.2%
Strain	85	79	89	74	76	15	418	19.2%
Struck	85	39	41	39	30	9	243	11.2%
<b>Grand Total</b>	<b>367</b>	<b>398</b>	<b>421</b>	<b>443</b>	<b>446</b>	<b>103</b>	<b>2,178</b>	<b>100.0%</b>

<u>Cause Sum</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
Burn	2,293	108,341	23,605	15,389	17,729	1,450	168,807	3.1%
Caught	19,500	6,902	4,857	15,726	12,358		59,344	1.1%
Chemicals/Allergic Reaction	2,411	675	3,981	6,838	1,305	1,650	16,859	0.3%
Collision	24,238	15,257	20,691	10,591	5,235	797	76,810	1.4%
Cut/Scrape/Puncture	19,565	68,140	22,212	49,211	14,363	1,054	174,545	3.2%
Fall/Slip	515,671	368,290	570,570	321,950	392,790	58,057	2,227,328	40.6%
Injury Caused by Person(s)	54,018	308,354	236,133	209,542	214,553	45,426	1,068,026	19.5%
Misc	15,840	14,252	32,337	29,471	22,306	993	115,198	2.1%
Strain	317,516	251,695	225,901	197,633	206,775	27,361	1,226,881	22.4%
Struck	135,133	47,526	47,796	56,611	52,917	13,721	353,705	6.4%
<b>Grand Total</b>	<b>\$1,106,184</b>	<b>\$1,189,432</b>	<b>\$1,188,083</b>	<b>\$912,963</b>	<b>\$940,331</b>	<b>\$150,509</b>	<b>\$5,487,503</b>	<b>100.0%</b>



**Fort Bend ISD Workers' Compensation Program  
Nature Analysis - Claim Counts and Incurred Costs  
Accident Date Range: 12/01/2011 thru 02/28/2017**

<u>Nature of Claim</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
Strain	111	135	120	91	96	20	573	26.3%
Contusion	69	66	86	105	116	28	470	21.6%
Sprain	47	39	62	72	67	13	300	13.8%
Laceration	25	28	28	26	29	11	147	6.7%
All Other Injuries	132	130	125	149	138	31	688	31.6%
<b>Grand Total</b>	<b>367</b>	<b>398</b>	<b>421</b>	<b>443</b>	<b>446</b>	<b>103</b>	<b>2,178</b>	<b>100.0%</b>

<u>Nature of Claim</u>	Fund Year						Grand Total	%
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17		
Strain	476,793	368,773	287,566	245,918	278,026	20,120	1,677,196	30.6%
Contusion	135,292	155,382	228,495	129,029	194,816	68,896	911,910	16.6%
Sprain	167,598	68,177	194,867	165,517	150,872	17,313	764,344	13.9%
Fracture	107,114	76,054	177,897	30,072	68,661	550	460,348	8.4%
All Other Injuries	219,388	521,046	299,258	342,427	247,956	43,630	1,673,706	30.5%
<b>Grand Total</b>	<b>\$1,106,184</b>	<b>\$1,189,432</b>	<b>\$1,188,083</b>	<b>\$912,963</b>	<b>\$940,331</b>	<b>\$150,509</b>	<b>\$5,487,503</b>	<b>100.0%</b>

# Appendix C – Selected Campus Safety Survey

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## LOSS CONTROL SURVEY

### CONSULTANT

Russ Edwards, technical consultant to Gibson Consulting Group.

### PURPOSE

The purpose of the survey was to evaluate risk control initiatives at selected campuses and to review some of the major loss exposure areas at these schools. Hightower High School, Lake Olympia Middle School and Mission West Elementary were surveyed.

### KEY FINDINGS

In general, I found all the facilities/campuses to be in very good condition. It was apparent that management and staff are focused on providing a safe, secure environment for their students and staff. Some of the strengths found in the survey:

- Excellent storage arrangement for equipment and supplies to limit “struck by” and material handling exposures.
- Band halls/classroom - excellent in organization and storage.
- Janitorial closets were well organized and clean.
- Well-maintained school campuses that prevent slip/trip/fall hazards.

There are some areas, however, that need some additional focus.

Hightower High School – Only one security issue was pointed out by lead custodian Mr. Leonard. Staff will prop open outside door leading from the portables to the main building. Teachers should open these door but often they do not. We observed several doors propped open.

- Eyewash stations were observed in all required areas such as the science labs and shop areas. It appears that these are not being tested on a regular basis. It is important to test the eye wash stations at least on a quarterly basis and preferably on a monthly basis.



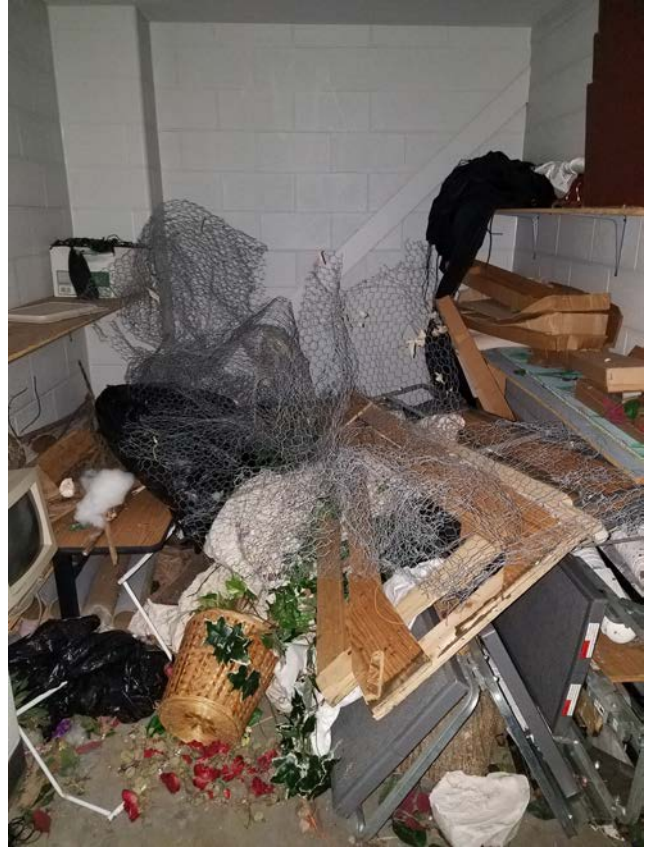
- Most HVAC/Mechanical rooms were in excellent shape. There are a few that some subcontractors use to store materials. These need to be removed.



- Continue to monitor exit ways throughout the campus. Several were partially blocked.



- Most of the theatre area was very well organized. There appeared to be a “throw away room”. This needs to be organized.



- The cafeteria freezer emergency interior release was not working properly. Need to be adjusted and fixed.



Lake Olympia Middle School – No security issues were observed.

- Several HVAC/Mechanical rooms had stored items that need to be removed.



- Need an “oversized” cement pad for the trash dumpsters. Also need to cut curb and provide ramp for access. Dumpster were located a very long way from the back door. This area and access needs to be reviewed.



- Eyewash stations were observed in all required areas such as the science labs. It appears that these are not being tested on a regular basis. It is important to test the eye wash stations at least on a quarterly basis and preferably on a monthly basis.



Mission West Elementary School – No security issues were observed.

- Trash container is located in the parking lot. This could present security issues especially at night. There is plenty of room near the backdoor.



- HVAC filters needed to be changed. Lead custodian had requested.



- Several HVAC/Mechanical rooms had stored items that need to be removed.

