

**Alabama Department of Finance - Division of Risk  
Management**

**Functional Analysis  
&  
Records Disposition Authority**

**Revision  
Presented to the  
State Records Commission  
November 5, 2008**

# Table of Contents

## Functional and Organizational Analysis of the Alabama Department of Finance - Division of Risk Management

Sources of Information .....	<a href="#">1-1</a>
Historical Context .....	<a href="#">1-1</a>
Agency Organization .....	<a href="#">1-1</a>
Agency Function and Subfunctions .....	<a href="#">1-1</a>
Managing Risk .....	<a href="#">1-1</a>
Providing Assistance to State Employees .....	<a href="#">1-3</a>
Administering Internal Operations .....	<a href="#">1-3</a>
Organizational Chart .....	<a href="#">1-5</a>

## Analysis of Record Keeping System and Records Appraisal of the Alabama Department of Finance - Division of Risk Management

Agency Record Keeping System .....	<a href="#">2-1</a>
Records Appraisal .....	<a href="#">2-1</a>
Temporary Records .....	<a href="#">2-1</a>
Permanent Records .....	<a href="#">2-2</a>
Permanent Records List .....	<a href="#">2-4</a>

## Alabama Department of Finance - Division of Risk Management Records Disposition Authority

Explanation of Records Requirements .....	<a href="#">3-1</a>
Records Disposition Requirements .....	<a href="#">3-2</a>
Managing Risk .....	<a href="#">3-2</a>
Providing Assistance to State Employees .....	<a href="#">3-3</a>
Administering Internal Operations .....	<a href="#">3-3</a>
Requirement and Recommendations for Implementing the Records Disposition Authority .....	<a href="#">3-5</a>

# **Functional and Organizational Analysis of the Alabama Department of Finance - Division of Risk Management**

## **Sources of Information**

Representative of the Division of Risk Management

Code of Alabama 1975, Sections 41-4-300 through 41-4-306; 41-15-1 through 41-15-13; 36-1-6 through 36-1-6.1; 36-29A-1 through 36-29A-7

Alabama Administrative Code, Chapters 355-3-1 and 355-8-1.

Alabama Government Manual (2006), page 44

Department of Finance, Division of Risk Management Handbook (9th Edition)

Holdings of the Department of Archives and History for the Division of Risk Management

Government Records Division, State Agency Files (1985-ongoing)

## **Historical Context**

Act 90-672 of the Alabama Legislature created the Division of Risk Management within the Alabama Department of Finance in 1990.

## **Agency Organization**

A Risk Manager, appointed by the Finance Director with the approval of the governor, heads the division (Code of Alabama 1975, Section 41-4-305). The staff consists of claims representatives, loss control personnel, information technology personnel, EAP program director, attorneys, an administrative assistant, administrative support personnel, and medical specialists. An organizational chart is attached.

## **Agency Function and Subfunctions**

The mandated functions of the Division of Risk Management are to carry out the provisions of the Code of Alabama 1975 relating to the self-insurance funds maintained by the state; to assist and advise the Finance Director on insurance and bonding matters; to provide information and recommendations to the legislature when requested; and to provide programs and/or guidelines leading to premium and financial risk reductions, including collection and investment of premiums, rate making, and claims administration (Code of Alabama 1975, Section 41-4-302). The division is primarily involved in carrying out the Financial Management subcategory of the Administrative Support Operations function of Alabama government. In the performance of its mandated functions, the division may engage in the following subfunctions:

- **Managing Risk.** The State self-insures against property, general liability claims, and employee injury through the State Insurance Fund, the General Liability Trust Fund, and the

State Employee Injury Compensation Trust Fund. Agencies pay into the funds at rates determined by the Division of Risk Management, which is responsible for administering the funds. Activities associated with administration of the funds include keeping accounting and statistical records, adjusting losses, and, in the case of the State Insurance Fund, appraising and surveying property.

The State Insurance Fund (SIF), a public entity risk pool, provides coverage for state buildings and public school buildings and their contents against casualty and fire losses (Code of Alabama 1975, Sections 41-15-1 through 41-15-13). The division also provides optional physical damage coverage for state automobiles. Automobile coverage also includes optional “open lot” coverage for agencies that maintain fleets of vehicles parked in one location. The Employee Auto Liability Program, an extension of the GLTF instituted in 1992, addresses liability that occurs while an employee is operating a vehicle on state business. The General Liability Trust Fund (GLTF) insures state employees against employment-related liability claims (Code of Alabama 1975, Section 36-1-6 and 36-1-6.1). The Legislature established the State Employee Injury Compensation Trust Fund (SEICTF) in 1994 (Code of Alabama 1975, Section 36-29A-1 through 36-29A-7). It provides indemnity and medical benefits for state employees who incur injuries on the job.

The Division of Risk Management is also responsible for managing policies purchased from private insurance providers. In addition to handling the purchase process, the division manages payment of premiums, policy contract terms, policy coverage changes, and claims handling. Such contracts cover flood insurance, boiler and machinery insurance, blanket fidelity and dishonesty bonds, and other miscellaneous coverages. The division also purchases excess insurance to cover its own self-insurance trust funds against catastrophic loss. The Finance Director makes the final decision about which providers are awarded contracts. Some state agencies with special insurance needs, such as medical or professional malpractice insurance, purchase their own policies separately. The division reviews and approves the purchase but does not otherwise monitor these contracts.

Part of the Division of Risk Management’s legislative mandate calls for it to develop programs and provide assistance to state agencies to reduce financial risk (Code of Alabama 1975, Section 41-4-301). The division develops generic loss control programs for all agencies and also assists agencies in identifying and assessing risks unique to a particular agency. It provides information, education, and training to aid agencies in developing customized programs. Since the implementation of the State Employee Injury Compensation Trust Fund (SEICTF), the division has expanded its loss control activities to include prevention and management of employee injuries by developing safety programs; a preferred provider network of physicians for employees injured on the job who have Blue Cross/Blue Shield medical coverage through the State Employees Insurance Board; and early return-to-work programs.

The Code of Alabama 1975, Section 41-4-301, calls for the Division of Risk Management

to assist and advise the Finance Director on insurance and bonding matters, and to provide information and recommendations to the legislature when requested. This activity is generally carried out informally, and its activities are reflected in correspondence between division representatives and the Finance Director. The division does not create formal reports to advise either the director or the legislature.

- **Providing Assistance to State Employees.** Implementation of the State Employee Assistance Program (SEAP), established by Executive Order No. 48, began in October 1994. State agencies voluntarily participate in this program by paying a per-employee fee to the program. The SEAP is a short-term counseling and referral service designed to promote employee effectiveness and efficiency by providing confidential professional assistance in such areas as supervisor and subordinate conflict, drug and alcohol abuse, financial management, marital and family problems, and emotional and mental conditions. Employees may enter the program through self-referral or supervisory referral.
- **Administering Internal Operations.** A significant portion of the agency's work includes general administrative, financial, and personnel activities performed to support the programmatic areas of the agency.

**Managing the Agency:** Activities involved in managing the agency may include internal office management activities such as corresponding and communicating; scheduling; meeting; creating policy and procedures; reporting; litigating; legislating (drafting, lobbying, tracking); publicizing and providing information; managing records; and managing information systems and technology.

**Managing Finances:** Activities involved in managing finances may include the following: budgeting (preparing and reviewing the budget package; purchasing (requisitioning and purchasing supplies and equipment, receipting and invoicing for goods, and authorizing payment for products received); accounting for the expenditure, encumbrance, and disbursement within the agency's budget through a uniform system of accounting and reporting; authorizing travel; contracting with companies or individuals; bidding for products and services; and assisting in the audit process.

**Managing Human Resources:** Activities involved in managing human resources may include the following: recruiting and hiring eligible individuals to fill vacant positions within the agency; providing compensation and benefits to employees; supervising employees (evaluating performance, disciplining, granting leave, and monitoring the accumulation of leave); and providing training and continuing education for employees.

**Managing Properties, Facilities, and Resources:** Activities involved in managing properties, facilities, and resources may include the following: inventorying and accounting for non-consumable property and reporting property information to the appropriate authority; constructing buildings and facilities; leasing and/or renting offices or facilities; providing for

security and/or insurance for property; and assigning, inspecting, and maintaining agency property, including vehicles.

# **Analysis of Record Keeping System and Records Appraisal of the Alabama Department of Finance - Division of Risk Management**

## **Agency Record Keeping System**

The record keeping system of the Division of Risk Management consists of paper and electronic records. The division currently creates a paper copy of all electronic records. The division computer system is a custom-designed Windows system, the Division of Risk Management Information System (DORMIS). The system is backed up daily, and weekly tapes are stored in a bank vault. There are two databases - DORMIS database (involve various lines of insurance business and claims for those lines) and American Technical Services (a windows system installed for the Employee Injury Program). The staff involved in each of these areas have access to all the files in their area.

## **Records Appraisal**

The following is a discussion of the two major categories of records created and/or maintained by the Division of Risk Management: Temporary Records and Permanent Records.

**I. Temporary Records.** Temporary records should be held for what is considered their active life and be disposed of once all fiscal, legal, and administrative requirements have been met.

- **Underwriting Files.** The division staff members are responsible for underwriting functions across all lines of coverage, including certifications, endorsements, and schedules. In this respect, all lines of coverage are treated the same. Therefore, the certification, endorsement, and schedule files for all lines of business are rolled into this series and one retention assigned.
- **Automobile Liability & Physical Damage Claim Files.** These files contain information regarding state employees who have motor vehicle accidents. The files are maintained for three years following the fiscal year in which they were closed. This allows ample time for a two year statute to run.
- **General Liability Claim Files.** General Liability claim files need to be maintained longer than some other types of claim files because some of the claims involve minors injured by a state employee. In general a minor plaintiff has two years from the attainment of majority to file a lawsuit for injury.
- **Property Claim Files.** These files contain claim information filed by the State agency or School system regarding property damage to state owned buildings and/or contents. They

are occasionally audited by Excess Insurance Carriers. The files are maintained for three years following the fiscal year in which they were closed unless the particular year involves an Excess Insurance claim subject for audit. In that case, the files are maintained until all excess claims are closed.

- **Employee Injury Claim Files.** These records contain information about state employees who have incurred on-the-job injuries. There is a 2-year statute of limitations on any benefits from the date a claim is closed. After two years there are no more benefits available to the injured employee. Keeping this series for one more year past the statute should be long enough to meet all needs.
- **Supplementary Insurance Account Files.** The Division of Risk Management (DORM) purchases insurance coverage through the private sector for coverage for its three (3) funds and/or acts as a liaison for state agencies needing coverage that DORM does not provide in that it manages the purchase process, payment of premiums, policy contract terms, policy coverage changes, and claims handling. Information on these records may include the insurance broker/agent, insurance carrier, coverage to include endorsements, invoices/payments, and claim-related correspondence. The policies may be renewed annually or every three years. The division staff maintain this series for six (6) years following the expiration of the policy or until all outstanding claims are settled which is a standard retention for contracts of this nature.
- **Real Property Ownership Records.** The division owns buildings and land as part of its investments for the self-insurance funds and maintains abstracts / deeds for these properties. These records provide proof of ownership and thus have legal and fiscal value to the agency for as long as it owns the property.

**II. Permanent Records.** The Government Records Division recommends the following records as permanent.

- **Annual Reports.** Code of Alabama, Section 41-15-2, mandates that the risk manager provide an annual report for the Department of Finance of the financial condition of the self-insurance funds. This published report summarizes all of the funds' financial activities during the past fiscal year and also provides a brief summary of the division's various programs.(RDA page 3-2) **(Bibliographic Title: Annual Reports)**
- **Publications.** To promote and advertise services, the division prepares and distributes various publications. This series may consist of employee handbooks, newsletters, "car kits" (publications placed in all state cars that guide employees involved in an accident through the necessary procedures), and other related materials.  
\_\_\_\_\_  
(RDA page 3-5) **(Bibliographic Title: Publications)**
- **Website.** The division has a website at [www.riskmgt.alabama.gov](http://www.riskmgt.alabama.gov). Information on the

website includes division's historical background, function, description of programs, publications, various forms, and contact directory. The website should be preserved as it serves as an important medium for communication with the public. (RDA page 3-5)  
(Bibliographic Title: Website)

**Permanent Records List**  
**Department of Finance - Division of Risk Management**

1. Annual Reports
2. Publications
3. Website

## **Department of Finance - Division of Risk Management Records Disposition Authority**

This Records Disposition Authority (RDA) is issued by the State Records Commission under the authority granted by the Code of Alabama 1975, Sections 41-13-5 and 41-13-20 through 21. It was compiled by the Government Records Division, Alabama Department of Archives and History (ADAH), which serves as the commission's staff, in cooperation with representatives of the Department of Finance - Division of Risk Management. The RDA lists records created and maintained by the Department of Finance - Division of Risk Management in carrying out its mandated functions and activities. It establishes retention periods and disposition instructions for those records and provides the legal authority for the Department of Finance - Division of Risk Management to implement records destruction.

Alabama law requires public officials to create and maintain records that document the business of their offices. These records must be protected from "mutilation, loss, or destruction," so that they may be transferred to an official's successor in office and made available to members of the public. Records must also be kept in accordance with auditing standards approved by the Examiners of Public Accounts (Code of Alabama 1975, Sections 36-12-2, 36-12-4, and 41-5-23). For assistance in implementing this RDA, or for advice on records disposition or other records management concerns, contact the ADAH Government Records Division at (334) 242-4452.

### **Explanation of Records Requirements**

- This RDA supersedes any previous records disposition schedules governing the retention of the Department of Finance - Division of Risk Management's records. Copies of superseded schedules are no longer valid and should be discarded.
- The RDA establishes retention and disposition instructions for records regardless of the medium on which those records may be kept. Electronic mail, for example, is a communications tool that may record permanent or temporary information. As for records in any other format, the retention periods for e-mail records are governed by the requirements of the subfunctions to which the records belong.
- Some temporary records listed under the Administering Internal Operations subfunction of this RDA represent duplicate copies of records listed for long-term or permanent retention in the RDAs of other agencies.
- Certain other record-like materials are not actually regarded as official records and may be disposed of under this RDA. Such materials include: (1) duplicate record copies that do not require official action, so long as the creating office maintains the original record for the period required; (2) catalogs, trade journals, and other publications received that require no action and do not document government activities; (3) stocks of blank stationery, blank forms, or other surplus materials that are not subject to audit and have become obsolete; (4) transitory records, which are temporary records created for short-term internal purposes that

may include, but are not limited to, telephone call-back messages; drafts of ordinary documents not needed for their evidential value; copies of material sent for information purposes but not needed by the receiving office for future business; and internal communications about social activities; (5) honorary materials, plaques, awards, presentations, certificates, and gifts received or maintained by the agency staff. They may be disposed of without documentation of destruction.

## **Records Disposition Requirements**

This section of the RDA is arranged by subfunctions of the Department of Finance - Division of Risk Management and lists the groups of records created and/or maintained by the department as a result of activities and transactions performed in carrying out these subfunctions. The division may submit requests to revise specific records disposition requirements to the State Records Commission for consideration at its regular quarterly meetings.

### ■ **Managing Risk**

#### ANNUAL REPORTS

Disposition: PERMANENT RECORD.

#### Underwriting Files

Disposition: Temporary Record. Retain 3 years.

#### Field Survey Reports

Disposition: Temporary Record. Retain until superseded or next inspection is complete.

#### Automobile Liability and Physical Damage Claim Files

Disposition: Temporary Record. Retain 3 years after final settlement of claim.

#### General Liability Claim Files

Disposition: Temporary Record. Retain 5 years after final settlement of claim.

#### General Liability Claim Files Involving Minors/Legally Incapacitated Claimants and/or Structured Settlements

Disposition: Temporary Record. Retain 5 years after legal majority status is obtained or 5 years from the date of final payment under the terms of the structured settlement.

#### General Liability Trust Fund Coverage and Procedures Files

Disposition: Temporary Record. Retain for useful life.

#### Property Claim Files

Disposition: Temporary Record. Retain 3 years after final settlement of claim.

Employee Injury Claim Files

Disposition: Temporary Record. Retain 3 years after settlement of claim.

Employee Injury Claim Files for Injury Occurred Between October 1, 1994 and May 10, 1995

Disposition: Temporary Record. Retain until injured employee is deceased.

SEICTF Payroll Warrant Registers

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the records were created.

Blue Cross/Blue Shield Suspense and Paid Reports

Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the records were created.

Supplementary Insurance Account Files

Disposition: Temporary Record. Retain 6 years after policy expires or all outstanding claims are closed, whichever is longer.

Approvals for Agency-Purchased Insurance

Disposition: Temporary Record. Retain 1 year.

Third Party Administrator for Employee Assistance Program Cost and Utilization Reports

Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the records were created.

■ **Providing Assistance to State Employees**

Employee Assistance Program Client Files

Disposition: Temporary Record. Retain 5 years after closure of file.

■ **Administering Internal Operations**

**Managing the Division:**

PUBLICATIONS

Disposition: PERMANENT RECORD.

WEBSITE

Disposition: PERMANENT RECORD. PRESERVE A COMPLETE COPY OF WEBSITE ANNUALLY OR AS OFTEN AS SIGNIFICANT CHANGES ARE MADE.

Databases

Disposition: Temporary Record. Retain until no longer useful.

Fund Annual Report Work Papers

Disposition: Temporary Record. Retain 3 years.

Routine Correspondence (includes requests for information)

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the records were created.

Administrative Reference Files

Disposition: Temporary Record. Retain for useful life.

Records documenting the implementation of the division's approved RDA (copies of transmittal forms to Archives or the State Records Center, evidence of obsolete records destroyed, and annual reports to the State Records Commission)

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the records were created.

Copy of RDA

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the RDA is superseded.

System Documentation (hardware/software manuals and diskettes, warranties)

Disposition: Temporary Record. Retain documentation of former system 3 years after the end of the fiscal year in which the former hardware and software no longer exists anywhere in the agency and all permanent records have been migrated to a new system.

**Managing Finances:**

Records documenting the bid process, including requests for proposals and unsuccessful responses

- a. Original bid records maintained in the purchasing office of the agency for contracts over \$7500  
Disposition: Temporary Record. Retain 7 years after the end of the fiscal year in which the bids were opened.
- b. Duplicate copies of bid (where originals are maintained by the Finance Department - Division of Purchasing)  
Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the bids were opened.

**Managing Properties, Facilities, and Resources:**

Real Property Ownership Records

Disposition: Temporary Record. Retain 3 years after the final disposition of the property.

Records documenting the lease or rental of office or warehouse space for the department  
Disposition: Temporary Record. Retain 6 years after expiration of the lease.

**\*Original copies of Division of Risk Management’s financial transactions, personnel, and property management records are maintained by other divisions of the Finance Department. Therefore, duplicate copies of these records maintained by the Division of Risk Management are not subject to retention requirements.**

## **Requirement and Recommendations for Implementing the Records Disposition Authority (RDA)**

Under the Code of Alabama 1975, Section 41-13-21, “no state officer or agency head shall cause any state record to be destroyed or otherwise disposed of without first obtaining approval of the State Records Commission.” This Records Disposition Authority constitutes authorization by the State Records Commission for the disposition of the records of the Division of Risk Management (hereafter referred to as the division) as stipulated in this document.

One condition of this authorization is that the division submit an annual Records Disposition Authority Implementation Report on division records management activities, including documentation of records destruction, to the State Records Commission in July of each year. In addition, the division should make every effort to establish and maintain a quality record-keeping program through the following activities:

- The division should designate a records liaison, who is responsible for: ensuring the development of quality record keeping systems that meet the business and legal needs of the division, coordinating the transfer and destruction of records, ensuring that permanent records held on alternative storage media (such as microforms and digital imaging systems) are maintained in compliance with national and state standards, and ensuring the regular implementation of the division’s approved RDA.
- Permanent records in the division’s custody should be maintained under proper intellectual control and in an environment that will ensure their physical order and preservation.
- Destruction of temporary records, as authorized in this RDA, should occur division-wide on a regular basis--for example, after the successful completion of an audit, at the end of an administration, or at the end of a fiscal year. Despite the RDA’s provisions, no record should be destroyed that is necessary to comply with requirements of the state Sunset Act, audit requirements, or any legal notice or subpoena.
- The division should maintain full documentation of any computerized record-keeping system it employs. It should develop procedures for: (1) backing up all permanent records held in electronic format; (2) storing a back-up copy off-site; and (3) migrating all permanent records when the system is upgraded or replaced. If the division maintains records solely in electronic format, it should employ an electronic records management system that is capable

of tying retention and disposition instructions to records in the system and of purging temporary records when their retention periods expire. The division is committed to funding any system upgrades and migration strategies necessary to ensure its records' preservation and accessibility for the periods legally required.

- Electronic mail contain permanent, temporary, or transitory record information. Although e-mail records can be printed out, filed, and retained according to the RDA's requirements, the division should preferably employ an electronic records management system capable of sorting e-mail into folders and archiving messages having long-term value.

The staff of the State Records Commission or the Examiners of Public Accounts may examine the condition of the permanent records maintained in the custody of the division and inspect records destruction documentation. Government Records Division archivists are available to instruct the division staff in RDA implementation and otherwise assist the division in implementing its records management program.

The State Records Commission adopted this records disposition authority on November 5, 2008.

\_\_\_\_\_  
Edwin C. Bridges, Chairman, by Tracey Berezansky  
State Records Commission

\_\_\_\_\_  
Date

Receipt acknowledged.

\_\_\_\_\_  
Ben M. Spillers, Risk Manager  
Division of Risk Management

\_\_\_\_\_  
Date

\_\_\_\_\_  
James Allen Main, Director  
Department of Finance

\_\_\_\_\_  
Date