



Consent

Agenda Item 4d

September 17, 2013

ITEM NAME: Enterprise Compliance Division Status Report

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

This report provides a current status update of key activities and accomplishments of the Enterprise Compliance Division (ECOM), as of August 15, 2013. ECOM works with enterprise-wide program areas to provide an independent source of assurance regarding compliance, by providing ongoing monitoring and support of program area compliance-related activities, including investigations oversight and automated business control and statutory regulation oversight.

STRATEGIC PLAN

This item supports CalPERS Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization.

BACKGROUND

As part of CalPERS Integrated Assurance Model, the Enterprise Compliance Division (ECOM) updates the Risk & Audit Committee on key enterprise compliance activities.

CalPERS uses the three lines of defense system to distribute risk management and compliance responsibilities throughout CalPERS. It establishes a proactive framework that provides assurances, promotes ethical behavior and drives ethical decision-making. A detailed overview of CalPERS Integrated Assurance Model is provided in Attachment A.

ANALYSIS

As part of the CalPERS Integrated Assurance Model, ECOM continues to build and maintain a compliance infrastructure that establishes a stable foundation for everything we do at CalPERS. By working with CalPERS staff enterprise-wide to establish a strong, stable compliance infrastructure and support, we position CalPERS to intelligently and effectively respond to compliance opportunities as they arise.

As part of our compliance infrastructure approach, ECOM is focusing on four major areas of importance: compliance monitoring, conflict of interest, information management and ethics inquiries.

Compliance Monitoring

In support of the Integrated Assurance Model, ECOM conducts targeted compliance reviews of program activities, to help program areas identify and address compliance-related risks. Consistent with the Annual Compliance Plan presented to the Risk and Audit Committee at its June 19, 2013 meeting, ECOM continuously monitors investment program controls for effectiveness, consistent with this approach. In addition, ECOM has developed draft reports for the following compliance reviews:

- CalPERS Diversity Outreach Program's annual reporting requirements to CalHR (pilot)
- Bureau of State Audits Whistleblower Hotline notification requirements
- Contract-Related Disclosure Policy requirements related to identifying potential conflicts of interest

Staff are also developing compliance reviews related to PeopleSoft personnel transactions and administration of the Compliance11 personal trading platform.

At the end of each review, ECOM will develop and implement a compliance monitoring plan and provide ongoing compliance support to these program areas, as part of an ongoing integrated assurance presence.

Conflict of Interest

Monitoring and oversight of compliance activities to prevent and detect potential conflicts of interest represent another important part of our Integrated Assurance Model. These activities provide CalPERS with a level of assurance that decisions are being made for the right reasons and provide support to staff and program areas to help them navigate complex regulatory conflict of interest requirements.

This was the first year that CalPERS received the certification by the Fair Political Practices Commission to accept electronic filings of the Statement of Economic Interests (Form 700) using the automated Form 700 system. This certification provided additional benefits to CalPERS filers who electronically submit Form 700s, in the form of:

- Digital signatures and automatic date/time stamps
- Instant notification when Form 700 is successfully filed
- Reduced time and cost to file

The Chief Officer of Risk, Compliance and Ethics and the Chief Compliance Officer completed the calendar year 2011 undue influence certification process and subsequent interviews. We are pleased to be able to report that no instances of undue influence were substantiated.

Staff continued to administer the Personal Trading Regulations via the automated Compliance11 personal trading platform. Staff will continue to alert the Board to any incidents identified through this monitoring, as appropriate, and will provide a year-end review update in February 2014 summarizing the prior year's outcomes.

Information and Communication Management

Clear and complete documentation is essential to a strong compliance program and effective coordination of GRC activities. ECOM management recently conducted a skills assessment and is in the process of obtaining specialized compliance training for ECOM staff, in coordination with CalPERS Human Resources Division (HRSD) and Los Rios Community College. The skills imparted through this training will help ECOM staff clearly and effectively document compliance activities and coordinate communications across assurance functions.

The Office of Enterprise Compliance (ECOM) has convened an enterprise-wide team to develop a CalPERS Code of Service, which will centralize CalPERS ethics-related laws, regulations and policies, providing staff with a shared set of values and behaviors for conducting CalPERS business. Staff also plans to roll out an annual online training module, which will be administered through the Learning Management System (LMS), to familiarize staff with the Code of Service and remind them of the importance of ethical behavior to CalPERS, our members and constituents.

An eGovernance Risk and Compliance (eGRC) automated solution fully integrates Risk Management, Compliance Management, Enterprise Management, Incident Management, Business Continuity Management and Policy Management. A governance committee, sponsored by the Chief Officer of Risk, Compliance and Ethics, was developed to guide implementation of the automated solution. Currently, OERM is in the discovery phase documenting "as-is" processes and determining the "to-be" state to understand opportunities to mature the programs, process improvements and enhancements. An eGRC Strategy Roadmap will be developed based upon best practices for deployment of the automated solution.

The design and planning of a new automated incident management tool is underway. The solution being implemented will allow CalPERS staff managing ethics inquiries and incidents to document and coordinate them in a centralized on-line repository, accessible by staff in multiple areas, consistent with the Integrated Assurance Model. It will also provide staff with a range of analytic tools to facilitate effective trend identification and reporting.

The compliance component of the New Employee Orientation (NEO) and LEADER training has undergone a significant revision to simplify the content presented in the classroom setting, focusing on communicating expected behaviors and the responsibility of each individual employee to take reasonable actions to detect and prevent inappropriate activity.

ECOM is also reviewing and enhancing existing internal documentation, to ensure that all ECOM procedures provide clear instructions and are current and compliant.

Ethics Inquiries

The CalPERS Ethics Helpline allows CalPERS employees, members and business partners, contractors and the general public to anonymously and securely report concerns about potential misconduct or inappropriate activities, consistent with U.S. Federal Organizational Sentencing Guidelines. The CalPERS Ethics Helpline is hosted and monitored externally by a third-party vendor. A reporting party can either submit an Ethics Helpline report by calling a toll-free phone number and speaking with a live vendor employee or by completing and submitting an online report via a secure website 24 hours a day 365 days a year. Complaints can also be submitted to the Whistleblower Hotline administered by the California Bureau of State Audits.

ECOM staff has also developed a Citizen's Complaint portal which will be rolled out in September this year. The portal provides an avenue for individuals to report concerns that are not ethics-related, but which pertain to the efficiency and effectiveness of CalPERS activities.

Staff will continue to evaluate opportunities to strengthen CalPERS Integrated Assurance Model by improving and expanding compliance support activities throughout CalPERS.

BUDGET AND FISCAL IMPACTS

Not Applicable.

ATTACHMENTS

Attachment A: CalPERS Integrated Assurance Model

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