



Consent

Agenda Item 7b

June 17, 2014

ITEM NAME: 2014 – 16 Enterprise Compliance Plan

PROGRAM: Enterprise Compliance Division

ITEM TYPE: Action

RECOMMENDATION

Approve the proposed 2014-16 Annual Compliance Plan.

EXECUTIVE SUMMARY

This agenda item requests approval from the Risk and Audit Committee on the proposed Compliance Plan (Plan) for fiscal years 2014-16. Included in this agenda item as Attachment 1, the plan identifies compliance reviews and other activities that will occur during the fiscal years 2014-16.

STRATEGIC PLAN

This agenda item supports Strategic Plan Goal B: Cultivate a high-performing, risk-intelligent and innovative organization. The proposed plan provides the framework for ongoing monitoring of program area compliance with applicable laws, rules, regulations and policies.

BACKGROUND

The Enterprise Compliance Division (ECOM) is responsible for oversight of the CalPERS program areas adherence to applicable laws, rules, regulations and policies. As part of its oversight responsibilities, Enterprise Compliance conducts compliance reviews to establish a baseline for ongoing monitoring with key program areas. ECOM also works with the program areas to evaluate the effectiveness of existing compliance and ethics strategies to identify, develop and implement solutions to address potential weaknesses. The Plan takes into consideration the 2nd line of defense responsibilities and focuses on high-priority compliance targets to provide ongoing assurance that the areas identified for reviews have adhered to applicable laws, rules, regulations and policies.

Consistent with best practices, Enterprise Compliance introduced in June 2012 to the CalPERS Risk and Audit Committee the Integrated Assurance Model and the three lines of defense.

In the second line of defense role, Enterprise Compliance has the following responsibilities:

- Develop, document and implement procedures related to enterprise compliance oversight and monitoring
- Work with program areas to implement policies and procedures governing conflict of interest and ethical conduct
- Conduct reviews of program compliance activities and communicate results to the divisions
- Escalate compliance issues as appropriate

In fulfillment of these responsibilities, the following sources were reviewed, consulted and accounted for in the development of the Plan:

- Legislative and regulatory changes
- Risk assessments
- Management input
- Ethics Helpline trends
- Risk Assessment Plan
- Office of Audit Services Audit Plan

Accordingly, the Plan focuses on high-priority compliance targets to provide assurance that the areas identified for reviews are in adherence with applicable laws, rules, regulations and policies

ANALYSIS

The information presented in the FYs 2014-16 ECOM Annual Compliance Plan enables the Risk and Audit Committee to identify the priorities of the Enterprise Compliance Division and monitor progress. Additionally, it demonstrates alignment with the CalPERS Business and Strategic Plans.

CalPERS compliance program is based on three main principles:

- A strong compliance culture (tone at the top)
- Clearly documented compliance requirements
- Effective monitoring to prevent and detect noncompliance

BUDGET AND FISCAL IMPACTS

Funding for the reported activities will be provided through the Enterprise Compliance Division budget.

BENEFITS/RISKS

The proposed plan establishes the priorities of compliance activities for the next two fiscal years.

Approval of the proposed plan will:

- Provide the basis for ongoing monitoring and compliance reviews to help detect potential misconduct and identify opportunities to improve enterprise-wide compliance
- Avoid or reduce fines and penalties by proactively identifying and preventing noncompliance and demonstrating that CalPERS has an effective ethics and compliance program
- Reduce likelihood of financial and reputational risk

Failure to approve the plan may result in:

- Legal and financial risks due to not complying with laws or regulations
- Reputational risks resulting from material noncompliance
- Operational risks resulting from noncompliance leading to significant error or process failure

ATTACHMENTS

Attachment 1 – CalPERS Enterprise Compliance Plan, Fiscal Years 2014-15 and 2015-16

KATHLEEN K. WEBB
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