



Audits & Risk Management Committee

Item Number 5 – Open Session

Subject: 2021 Enterprise Compliance Services Plan Mid-Year Progress Report

Presenter(s): Cheryl Dietz

Item Type: Information

Date & Time: July 9, 2021 – 15 minutes

Attachment(s): Attachment 1 – External Reporting Matrix Summary

PowerPoint(s): None

PURPOSE

The purpose of this item is to present the Calendar Year 2021 Enterprise Compliance Plan mid-year progress report on the status of the approved compliance initiatives.

DISCUSSION/SUMMARY

Enterprise Compliance Services (ECS) continues to make progress towards completing its 2021 compliance plan initiatives.

Compliance Activities Update:

Governance: The ECS team worked with various branches to develop an External Compliance Reporting Matrix (matrix). This matrix lists fifty-five reports, disclosures, or filings that CalSTRS is required to prepare and submit to external governing agencies. The information provided in the matrix includes report name and description, underlying requirement, applicable deadlines, external agency name, and frequency of reporting. The information contained in the matrix is for general guidance only and is not intended, nor can it be relied upon, as legal advice. ECS will make every effort to monitor reporting compliance and provide updated information on an annual basis. There may be delays and omission due to the volume and rapidly changing laws, rules, and regulations. Refer to Attachment 1 for a summary of the matrix.

Culture: ECS submitted a proposed revision of CalSTRS Code of Ethics and Business Conduct (Code) to Office of General Counsel for review. ECS enhanced the Code language to align with CalSTRS commitment to diversity, equity and inclusion and reinforces our commitment to corporate sustainability. ECS' next steps are to work with Communications to package and promote the Code throughout the organization.

Risk Assessment: ECS collaborated with Enterprise Risk Management (ERM) and Internal Audits to update, refine and quantify CalSTRS compliance risks. ERM branch risk assessments now include identification of compliance risks. ECS will review and present results of the compliance risk assessment at the November ARM Committee meeting.

Training and Communication: ECS held training for contract managers to explain their roles and responsibilities related to the receipt and review of System and Organization Controls Reports submitted by third-party vendors that provide services to CalSTRS. In addition, ECS partnered with ERM to include compliance education in CalSTRS Risk and Internal Controls Awareness Training.

Policies & Standards: ECS developed a 2021 policy review calendar and continues to collaborate with policy owners on CalSTRS policies. ECS also established a biennial review over Standards to ensure they remain current and relevant. In addition, ECS implemented a monthly process to inform all staff when new or updated policies are approved, or when existing policies are decommissioned through CalSTRS intranet, Central.

Confidential Reporting: ECS finished its roadshow with a presentation to Investments on CalSTRS Compliance and Ethics Hotline. To date, every CalSTRS branch has received a presentation on using the hotline along with the importance of reporting unethical acts. We also developed additional learning aids to assist with confidential reporting and plan to continue promoting throughout the rest of the year.

Case Management & Response: ECS worked with the Ombuds to expand the use of the Compliance and Ethics case management system. Use of the system will allow the Office of the Ombuds to receive, respond and manage its inquiries more effectively. The case management system also provides dashboards and drill down capabilities for easier trend identification and insight into the type of inquiries received. To maintain its independence, impartiality and confidentiality, the Office of the Ombuds will maintain exclusive system access to manage and report on its cases, through a separate tier within the case management system. While the Office of the Ombuds is separate from ECS, this collaborative effort better aligns both program areas to manage issues and inquiries that are sent from the public.

ECS developed reference guides to assist case managers when responding to hotline reports. We also developed service level agreements to ensure timely responses and closure of reports. Lastly, ECS implemented a process to ensure system access remains current and necessary.

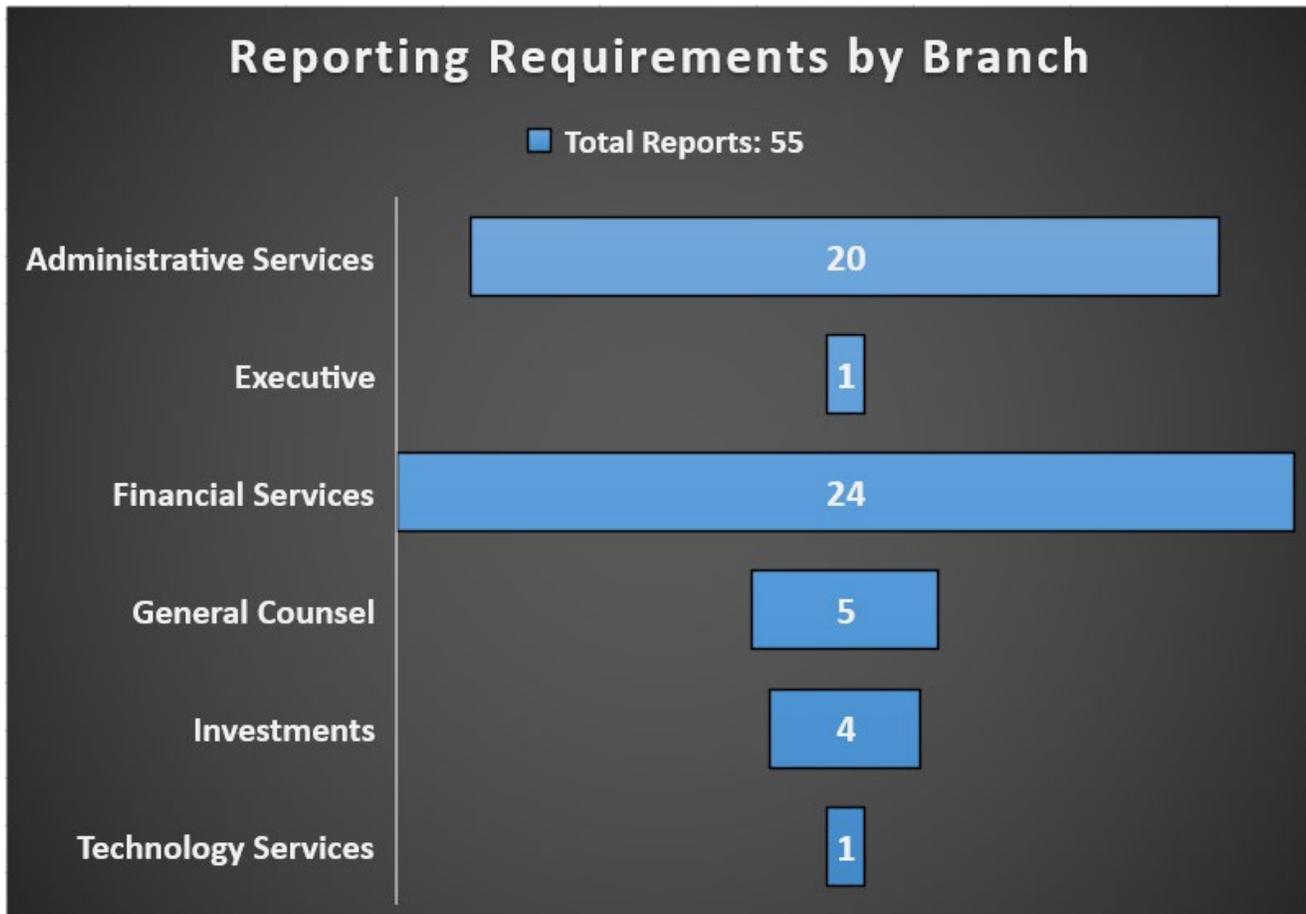
Monitoring: ECS began meeting with Procurement to build a library of its various processes, legal requirements, and key internal controls. Based on our input from various branches, ECS is focusing its initial efforts on compliance with contract requirements. Next steps include completing and assessing results to ensure adequate controls exist to mitigate procurement compliance risks.

Program Management: ECS worked with Enterprise Strategy Management to develop a second survey to gain insight into the organization's awareness of compliance requirements as it relates to individuals' daily work. The survey yielded a 61 percent response rate. 71 percent of respondents considered themselves knowledgeable on compliance requirements related to their daily work and 55 percent believed they receive timely communication on legal requirement updates that impact their work.

External - Compliance Reporting Matrix

Branches Involved in Submitting Data

To date, ECS identified 55 reports that CalSTRS is required to submit to external governing agencies.



ECS will continue to identify and include mandated reports in the external reporting matrix. An annual compliance report will also be provided to executive staff and the committee.

External Agencies for Mandated Reporting

Below is a listing of those agencies that CalSTRS provides reports, disclosures, or filings on a periodic basis.



- Department of Resources Recycling and Recovery
- Air Resources Board
- Internal Revenue Service
- Department of General Services
- Governor’s Office of Emergency Services
- Department of Industrial Relations
- California Department of Human Resources
- Fair Political Practices Commission
- Technology Agency
- U.S. Department of Commerce, Bureau of Census
- Public Employment Relations Board
- Governor’s Office
- Energy Commission
- State of California, Office of Controller
- California Department of Finance
- Employment Development Department
- California Secretary of State
- California Infrastructure and Economic Development Bank
- Climate Initiative Bonds
- Municipal Securities Rulemaking Board
- Joint Legislative Budget Committee