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Date: May 2, 2014

TO: MEMBERS, BOARD OF DIRECTORS

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| I. AGENDA ITEM # AND TITLE : | Open Agenda Item 9bi – Completed Closed Audits |
| II. NAME AND PROGRAM: | Dante Robinson, Chief of Internal Affairs |
| III. ACTIVITY: | <input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory |
| IV. JUSTIFICATION: | <input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff |

V. EXECUTIVE SUMMARY:

The Internal Audit Department is presenting the following projects: Public Records Office and Customer Service Center audits that were completed and reported closed in the February 19, 2014 Closed Audit Committee session. These two engagements are considered non-proprietary and we are presenting them in the Open Session of the Audit Committee in compliance with the Bagley Keene Act.

The findings identified during the audit do not represent significant risk to State Fund and are correctable in the normal course of business. Management has provided their corrective action plans and IAD monitors the completion of the corrective action plans. IAD validates closed high risk issues and on a sample basis for medium risk issues to ensure management’s corrective actions are functioning as intended.

No action for the Board at this time.

VI. ANALYSIS:

Public Records Office has an adequate internal control framework in place with no findings requiring action plans. The Customer Service Center audit resulted in twelve findings which relate to vendor contract, accuracy of reports, performance management and management oversight to include key program manager position being vacant.

VII. PRESENTATION EXHIBITS: None

VIII. APPENDIX: Q4-13 AC Item 4 – Completed Closed Audits Open Session



APPENDIX: INFORMATIONAL DOCUMENT FOR AUDIT COMMITTEE

Completed Closed Audits

Dante Robinson, Chief of Internal Affairs

2013 Public Records Office PAO 704

Objective/Scope

Assess the internal controls and processes in place on public records requests made January 1, 2013 through September 30, 2013 for:

- Timely responses to public records requests.
- Compliance with regulatory and statutory requirements.
- Proper application of exceptions to requirements, management review and approval.
- Development of action plans for requests and approvals of response letters.
- Review of electronic files for proper authorization of redactions, and subsequent review of redacted documents.
- Proper authorization and adequate documentation for denials.
- Review of documentation requests for completeness and accuracy.

| Findings | Remediation |
|--|---|
| Public Records Office has an adequate internal control framework in place with no reportable issues. | None Required. Executive: <u>Dante Robinson</u> Expected Implementation: <u>N/A</u> |

Methodology

- Reviewed prior Internal Audit report dated March 2, 2010.
- Explored the Public Records Office website.
- Researched California Government Code Sections 6253 and 6253.
- Interviewed Public Records Office management and staff to understand the processes.
- Conducted walkthroughs to assess the public records request processes.
- Obtained, reviewed, and assessed the adequacy of the Departments existing policies and procedures.
- Used judgmental and random sampling techniques to determine sample sizes for testing.
- Reconciled data entered by PRO in the system with the actual data from source documents (requests) to verify data integrity.
- Tested timeliness, approval of action plans and response and delivery letters, redaction, and completion of electronic filing documentation.
- Reviewed the log PRO maintains to document requests.

Proprietary: No

2013 Customer Service Center PAO 711

Objective/Scope

Assess the effectiveness of controls for credit card payments, establishing claims, policy services, voice self-service and the evaluation and monitoring of the Customer Service Representatives. Customer service activity related to credit card payments, claims establishment, policy services, staffing and management monitoring for the period September 1, 2012 through August 31, 2013.

| Findings | Remediation |
|---|--|
| Training program needs enhancement so that accurate records are available to verify compliance with Payment Card Industry Data Security Standard regulations. | <ul style="list-style-type: none">• PCI Compliance - CSC Workforce Management (WFM) will schedule employees for training every fourth quarter. Training spreadsheets will be maintained in the CSC SharePoint site. WFM will ensure that supervisors verify their employees' compliance.• Caller Authentication Training will be provided to all employees during the first quarter of each year.• Cross training – CSC will explore cross training of one task. |

| Findings | Remediation |
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| | <ul style="list-style-type: none"> • Continuous Training Needs – Supervisors will assess training needs at time of the performance plan and appraisal process. • Workforce Management Training – CSC is launching new workforce optimization software, which includes training of workforce management. <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>9/30/2014</u></p> |
| <p>Personally Identifiable Information (PII) and Personal Health Information (PHI) documents were left on shared faxes and printers.</p> | <ul style="list-style-type: none"> • Staff will continue to be reminded in every monthly unit meeting to lock their workstations. Supervisors will continue to be tasked with floor supervision to ensure compliance. • Staff in remote locations will continue to be instructed to collect all documents. This will also be re-enforced during monthly management meetings. • New hires will be scheduled for this training during their original training period no later than 30 days or based on Privacy’s Office availability whichever is earlier. • The CSC has posted signage advising the area is secure and no one is authorized to enter. <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>3/31/2014</u></p> |
| <p>Vendor management needs improvement – a third party vendor was paid on an expired contract.</p> | <ul style="list-style-type: none"> • Contracts - the CSC, in a joint effort with Enterprise Procurement, will manage vendor contract agreements and expiration dates. • SSAE 16 - the CSC, in a joint effort with Enterprise Procurement and the Privacy Office, will require SSAE 16 attestation in future contracts. • The CSC requested a high-level summary of contract terms for all open CSC contracts from Enterprise Procurement. Active contracts will be stored on SharePoint for managers to monitor correct payments. <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>2/28/2014</u></p> |

| Findings | Remediation |
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| Statistical reporting not accurate – the Claims Made Report was incorrectly calculated. | <p>The Claims Made Report was corrected. CSC, in collaboration with IT, will establish a CSC "receive date" to capture the true received date instead of using State Fund Date of Knowledge.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>9/30/2014</u></p> |
| There is a lack of multi-level review and approval to verify completeness and accuracy of statistical reports. | <p>Manually generated reports will be automated and reports will be reviewed by a workforce management expert for accuracy prior to distribution. Management will receive training on new software and will be able to review the accuracy of these reports.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>6/30/2014</u></p> |
| Call monitoring method is being changed to recording calls rather than the current practice of listening in during live calls. | <p>CSC management met with Labor Relations and vetted changes to recorded call monitoring to ensure compliance with union contract.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>6/30/2014</u></p> |
| Procedures not followed: supervisors did not complete required service observes. | <p>Training and calibration sessions are conducted monthly with supervisors to ensure consistency in call quality. Each supervisor will be required to complete three service observes a month for each CSR.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>5/31/2014</u></p> |
| Staff forecasting did not include back office work in calculations. | <p>2014 – 2016 staffing plans were built to include both phone and back office work. Back office work will be automatically calculated from data from employees' desktops</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>9/30/2014</u></p> |

| Findings | Remediation |
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| Inadequate program governance – the CSC has not had a dedicated Program Manager since 2011. | <p>The Program Manager Position is to be posted during the first quarter of 2014.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>3/31/2014</u></p> |
| Lack of customer focus – the CSC does not have a process (such as surveys) to gauge customer satisfaction. | <p>With implementation of a new phone tree, the CSC will offer each caller the opportunity to take a post call survey. CSC will work with MDI Science to incorporate additional key words in the survey to identify trends and opportunities.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>4/30/2014</u></p> |
| Lack of consolidated reference manual. | <p>CSC plans to develop an online manual.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>12/31/2014</u></p> |
| Lack of effective skill gap identification and coaching. | <ul style="list-style-type: none"> • In addition to monthly meetings, outside of the service observes, supervisors will hold ‘one-on-one’ coaching sessions with their employees to review their individual performance and how they compare to the department averages. • Supervisors will be held accountable for their service observe goal each month consistently. • CSC will conduct post-skill assessments for new employees. This will assist us with identifying training opportunities. These assessments will be conducted at the six month mark. • Training will be provided to all supervisors and managers as changes in workflow and processes occur. The Supervisors’ priority is coaching and development of their staff. |

| Findings | Remediation |
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| | <ul style="list-style-type: none"> • Supervisor's number one priority is coaching and development of their staff, which will be a part of their My State Fund career goals. <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>3/31/2014</u></p> |
| Lack of communication with staff to communicate service level objectives. | <p>We are communicating the objectives and goals of the CSC to employees including their individual metrics as follows:</p> <ul style="list-style-type: none"> • One-on ones • Month-to-date performance data during our weekly Leadership meetings • Post individual performance metrics on our 'Wall of Fame' • Daily performance is shared in real time with staff in Fresno and Vacaville • Monthly performance and CSC project plan progress is shared in our 'You Have a Voice' email communications • We will conduct quarterly staff town hall meetings with staff. <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>4/30/2014</u></p> |
| Lack of performance standards in appraisals. | <p>2014 goals will be identified and entered in the "My State Fund Career Goals" by December 31, 2013.</p> <p>Executive: <u>Marjorie Hutchings</u> Expected Implementation: <u>6/30/2014</u></p> |

Methodology

- Interviewed individuals charged with responsibility over the operation of the CSC
- Developed process narratives for claims processing, management monitoring, and policy services
- Identified process controls
- Reviewed management's monitoring of customer telephone calls
- Reviewed management reports for accuracy, relevance, and timeliness
- Reviewed staffing levels and scheduling

- Evaluated the efficiencies gained from State Fund’s “New Broker Distribution Model” (Access State Fund)
- Reviewed the CSC’s disaster recovery program and plans to prevent the disruption of the voice self-service system
- Reviewed the vendor contract for handling after hour calls to the CSC
- Reviewed the separation of duties by the CSRs in claims
- Reviewed the timeliness of claim establishment
- Reviewed the authority levels of the CSRs in reinstating policies and issuing refunds
- Reviewed the handling of credit cards and eChecks including the:
 - a) Handling of confidential personally identifiable information
 - b) CSC’s compliance with the Payment Card Industry Data Security Standard
 - c) In-house training
 - d) SSAE-16 report from outside vendors
- Developed test plans and tested whether controls were working as intended
- Surveyed 4 managers, 7 supervisors, 105 employees, 4 workforce management employees, and 10 prior CSC employees

Proprietary: No