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Date: February 5, 2016

**TO: MEMBERS, GOVERNANCE COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 4 – Governance, Compliance and Privacy Update
<b>II. NAME AND PROGRAM:</b>	Barbara Simmons, Governance & Public Records Program Manager
<b>III. ACTIVITY:</b>	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

Compliance reporting includes: Conflict of Interest Code Approval, regulatory reporting testing results and updated reporting catalog, compliance training report, and benchmark of the ethics hotline.

**VI. ANALYSIS:** The following summarizes compliance related activity for the period and is in alignment with the Compliance Model<sup>1</sup>:

**Clear Written Standards of Conduct, Policies & Procedures**

**2015 Conflict of Interest Code Approved**

This is a follow-up to the May, 2015 report.

The Fair Political Practices Commission approved State Fund's Conflict of Interest Code (Code) and submitted it to the Office of Administrative Law on October 28, 2015. It became effective 30 days later, on November 27, 2015. Announcement about the new Code was made to the organization November 25, 2015.

**Operational Impact:** (1) Employees and consultants must review the Code for disclosure category changes before filing their annual 2015 Statement of Economic Interests in March 2016.

<sup>1</sup> All Governance reports are grounded in State Fund's Compliance Framework – resource USSG Ch. 8 Part B2.1(b)

(2) State Fund should amend the Conflict of Interest Code section for its 2016 Master Services Agreement to reflect the effective date of the Code.

### **2015 Own Risk and Solvency Assessment (ORSA) Report Submitted**

State Fund submitted its ORSA report, as attested by the Chief Risk Officer, to the California Department of Insurance on November 27, 2015<sup>2</sup>.

As allowed under the Insurance Code<sup>3</sup>, the ORSA report will be referenced in State Fund's Corporate Governance Annual Disclosure due June 30, 2016.

## **Effective Training, Communication & Awareness**

### **2015 Compliance Training**

**Table 1: State Fund Staff**

<b>Training</b>	<b>Compliance Rate</b>
Code of Conduct, Ethics & Acknowledgement	98.5%
Preventing Workplace Harassment - Employees	98.7%
Preventing Workplace Harassment - Managers/Supervisors	98.7%
Anti-Fraud	99.8%
Security Awareness & Proprietary System Notice Acknowledgement	98.5%
Reasonable Accommodation - Managers/Supervisors	99.9%

**Table 2: State Fund Consultants**

<b>Training</b>	<b>Compliance Rate</b>
Code of Conduct, Ethics & Acknowledgement	98.7%
Security Awareness & Proprietary System Notice Acknowledgement	98.7%
Preventing Workplace Harassment	98.7%

**2015 Goal:** Achieve 98 percent Workforce compliance rate (100 percent consultants and 98 percent employee) for the organization's mandatory training. System and building access for the outstanding 1.3 percent non-compliant consultants (three) was disabled pending training completion.

## **Consistent Monitoring, Evaluation & Reporting**

### **2015 Regulatory Reporting Compliance Testing**

Regulatory Reporting phase two compliance testing was completed in November 2015.

**Findings:** (1) State Fund meets regulatory requirements for medium and low risk reports; (2) The new *Corporate Governance Annual Disclosure* was added to the reporting catalog; and (3) one report was retired. The Workers' Compensation Insurance Rating Bureau no longer requires transmission of a United States Longshore and Harbor report.

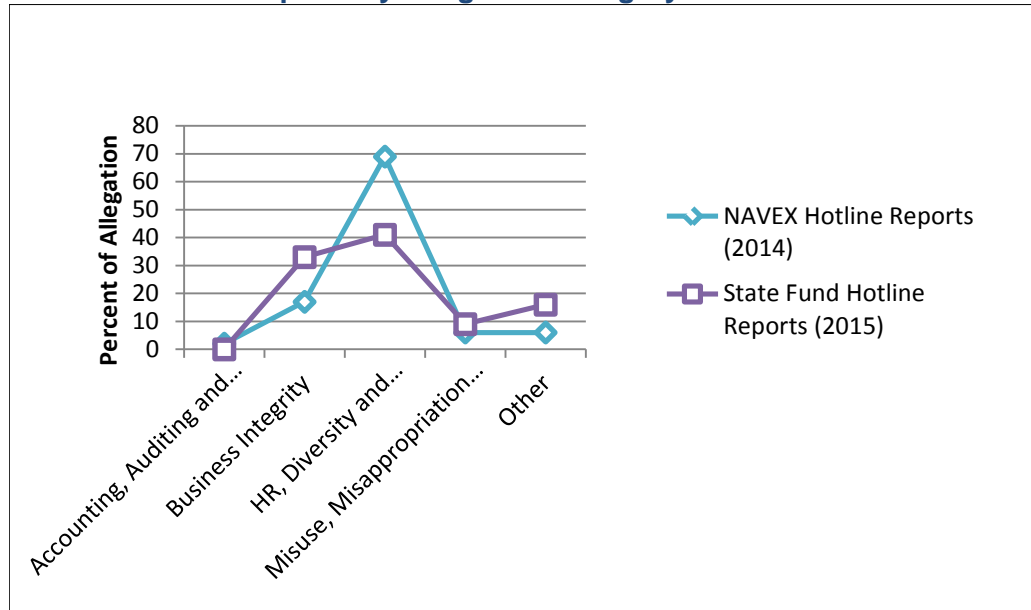
<sup>2</sup> ORSA report pursuant to Cal. Insurance Code § 935.1

<sup>3</sup> Corporate Governance Annual Disclosure pursuant to Cal. Insurance Code §§ 936.1 et seq.

## 2015 Ethics & Privacy Reported Issues Benchmarked

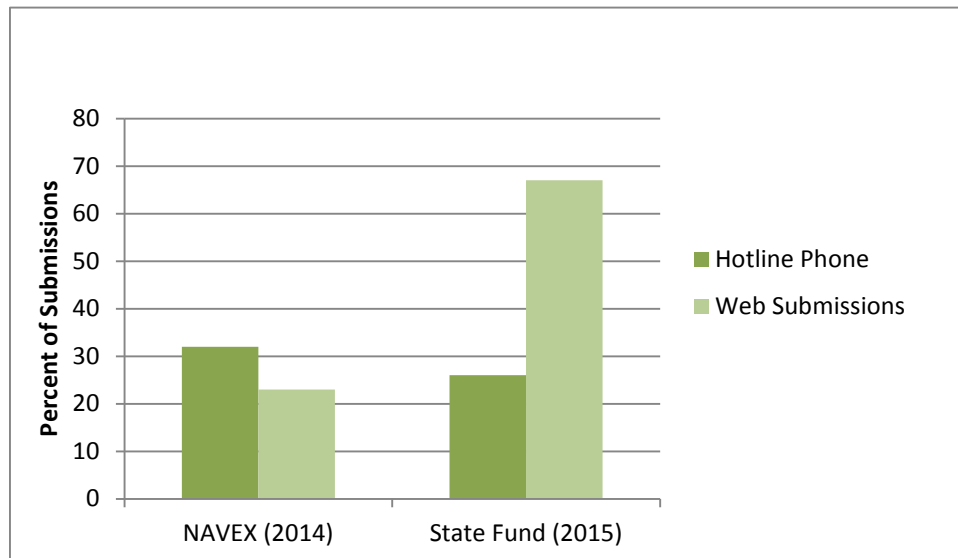
Benchmarking report: *Navex Global. 2015 Ethics and Compliance Hotline Benchmark report.*

**Chart 1: Hotline Reports by Allegation Category**



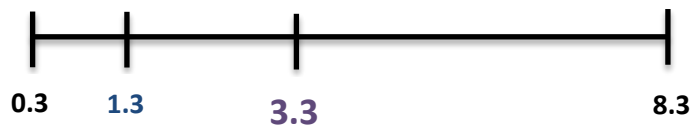
There are no significant deviations in the reporting allegation distribution between the Navex Benchmark report and State Fund hotline reports.

**Chart 2: Report Intake Methods**



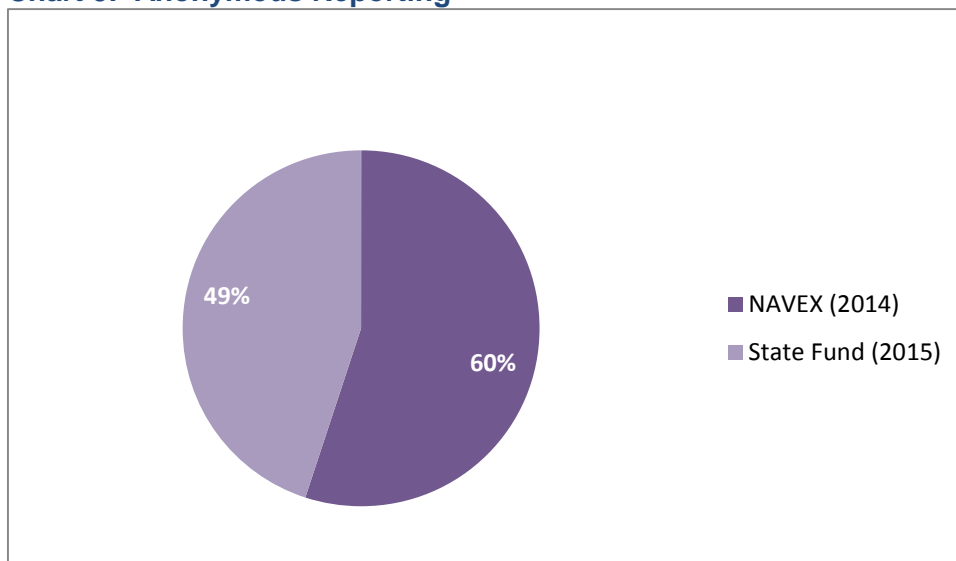
The Navex data from 2014 shows phone calls as the preferred reporting methodology. In 2015, it appears State Fund employees have found it significantly more convenient to report online.

**Figure 1: Hotline Report Volume by 100 Employees**



NAVEX reported minimum frequency of 0.3 reports per 100 employees and a maximum of 8.3. The Benchmark's median report frequency per 100 employees was 1.3. State Fund received an average of 3.3 reports per 100 employees. State Fund reporting frequency may be attributed to employees' awareness of what and how to report concerns and the periodic reminders that the process is available.

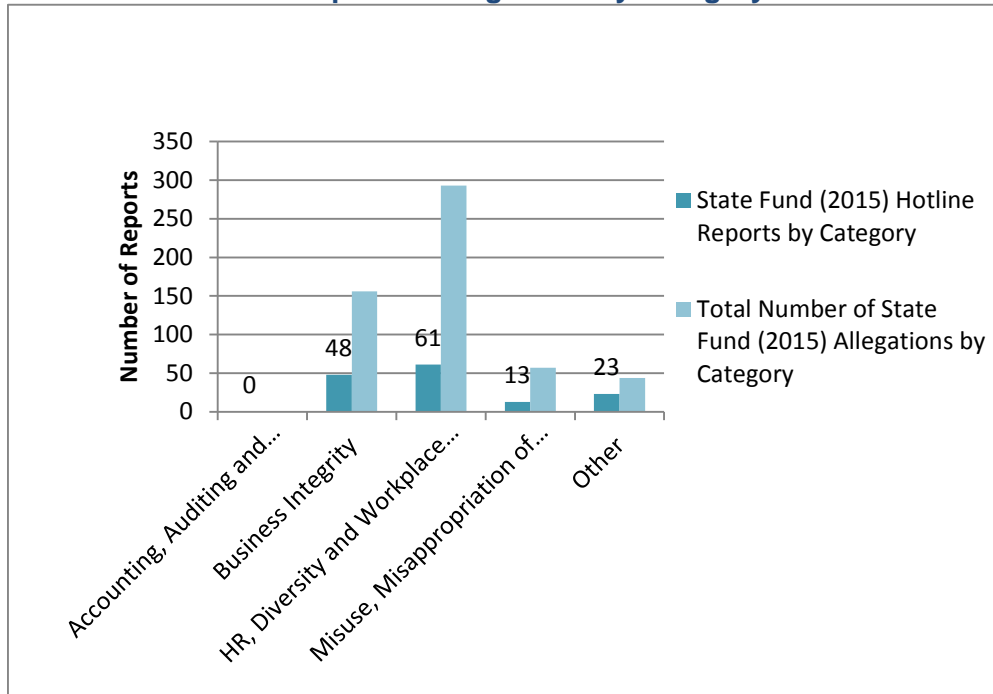
**Chart 3: Anonymous Reporting**



The State Fund anonymous reporting rate of 49 percent is lower than the benchmark report of 60 percent. There may be a growing comfort level by employees with reporting to the confidential hotline.

## 2015 Ethics & Privacy Issues Reported at State Fund

Chart 4: State Fund Reported Allegations by Category



Concerns are raised largely internally through managers and supervisors, which aligns with the findings of compliance organizations such as the Corporate Executive Board and the Society of Corporate Compliance and Ethics.

## Appendix:

### I: Hotline Benchmark category definitions

### II: 2015 Regulatory Reporting Catalog

#### I. Report Allegation Categories and Definitions

**Accounting Auditing and Financial Reporting:** Forgery, Accounting and Financial Control

**Business Integrity:** Falsifying Records, Privacy, Theft, Compliance and Regulatory Matters, Information Security, Vendor Relations, Claims Practices

**HR, Diversity and Work Place Respect:** Code of Conduct Violation, Conflict of Interest, Equal Employment Opportunity-Discrimination, Retaliation and Sexual Harassment, Favoritism, Inappropriate/ Offensive Behavior, Hiring Practices, Performance

**Misuse, Misappropriation of Corporate Assets:** Fraud, Misuse/ Abuse of Time or Resources

**Other:** Types of misconduct that fails to fall into the above categories such as Safety, Assault or Environmental Protection Compliance.

# Appendix II: Regulatory Reporting Requirements 2015 – State Compensation Insurance Fund

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### Board of Directors (BOD)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Appointed Independent Actuary's report to Board of Directors (Statement of Actuarial Opinion)	Annually.	Cal. Ins. Code § 923.6; NAIC Annual Statement Instructions/Actuarial Standards of Practice paragraph 1

### California Attorney General

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Data Breach Security Reporting for 500 or more affected CA residents per occurrence	In the most expedient time possible.	Cal. Civil Code §§ 1798.29, 1798.82

### California Department of Insurance (CDI)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Abstract of Financial Statements	Annually w/in 30 days of published financial reports.	Cal. Ins. Code 11860
Rate Filing	Workers compensation rate filings are "file and use" with a 30 day waiting period.	Cal. Ins. Code § 11750
Biennial Report of Procurement Diversity	Commencing July 1, 2015 biennially update to commissioner no later than July 1 up to 1/1/2019.	Cal. Ins. Code §927.2(a)
Own Risk and Solvency Assessment (ORSA) Annual Summary Report	Annually to Insurance Commissioner after January 1, 2015.	Cal. Ins. Code § 935.1 et seq.
Report of Risk Based Capital (RBC) Levels	Annually by 3/15.	Cal. Ins. Code § 739.2
Annual Financial Statements of the State Compensation Insurance Fund	Annually by 3/1.	Cal. Ins. Code §§ 900, 902
Quarterly Financial Statements of the State Compensation Insurance Fund	Quarterly by 5/15, 8/15, and 11/15.	Cal. Ins. Code §§ 900, 902



Independent Auditor's Report on Statutory Basis Financial Statements	Annually by 6/1.	Cal. Ins. Code §§ 900, 902
Premium Tax	Annually by 4/1.	Cal. Constitution Article XIII, §28
Management's Report of Internal Control over Financial Reporting	Annually by 8/1.	NAIC Annual Financial Reporting Model Regulation
Insurer Climate Risk Disclosure Survey	Annually, due date as provided by the CDI on its survey disclosure form.	Pending confirmation from CDI
Disclosure of Iran Related Investments	Annually by 6/30.	Cal. Ins. Code § 1241.20
Special California P	Annually by 3/1.	Cal. Ins. Code §§ 11690-11703
Corporate Governance Annual Disclosure (CGAD)	Annually by 6/1.	Section 1, Article 10.8 (§§936.1 et sec.)
Triennial Financial Audit Report Response	Triennially by December (Response by auditee is optional).	Cal. Ins. Code § 730
Adjuster Certification Form	Annually by 7/1.	Cal. Ins. Code § 11761; 10 CCR §§ 2592.02, 2592.07
SIU Annual Report	10/1/2014 (90 days after the date of mailing of the notification by the Dept. usually in June).	10 CCR § 2698.40
California Organized Investment Network (COIN) Report	Annually by 1/1.	Cal. Ins. Code 926.1, 926.2

### California Human Resources (CALHR)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Workforce Analysis Report (incl. upward mobility)	Annually by 6/1.	Cal. Gov't Code §§19402, 19405
Changes to Incompatible Activities Policy	Per occurrence.	Cal. Gov't Code § 19990

### California Legislature

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Annual Experience Report US Longshore & Harbor	Annually by 12/31.	Cal. Ins. Code § 11805

### Centers for Medicare and Medicaid Services (CMS)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Mandatory Insurer Reporting for Non-Group Health Plans (Policy/Insured Claims)	Quarterly by 1/14, 4/14,7/14, 10/14.	42 USC 1395y(b)(8) and 42 CFR part 411.40 et seq.
Mandatory Insurer Reporting for Non-Group Health Plans (State Contract Claims)	Quarterly by 3/7, 6/7, 9/7, 12/7.	42 USC 1395y(b)(8) and 42 CFR part 411.40 et seq.

### Department of Industrial Relations (DIR)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Responses to Profile Audit Review (PAR) Audits to Dept. of Industrial Relations	Within 15-30 days after audit.	Cal. Labor Code 129
State Fund as a Self-Insured Employer - OSIP Invoice	Annually - within 30 days of Request.	Cal. Labor Code §§ 62.5, 3700; 8 CCR § 15605
Assessments for Self-Insured Employers (Premium Assessments)	Annually. Assessments by 1/1 and balance by 4/1.	Cal Labor Code §§ 62.5, 62.6
Workers/ Occupational Safety & Health Education Fund Fee Report	Annually by 4/1.	Cal. Labor Code § 6354.7

### Department of Motor Vehicles (DMV)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Certificates of Self-Insurance	Annually by 12/31.	Cal. Vehicle Code §§ 16053, 16054.2, 34632; 13 CCR §§ 80.50, 80.75

### Department of Toxic Substances (DTS)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Toxic Waste Fees	Annually within 30 days of receipt of verification questionnaire.	42 USC §§ 6924-6930; 40 CFR §§260-265; H&S C § 25158; 22 CCR §§ 662.10-12

### Division of Labor Statistics and Research (DLSR)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Doctor First Report of Injury Reporting	Due within five days of receipt.	LC §6409(a), CCR §14002(b) & 14003

### Division of Occupational Safety & Health (DOSH)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Log of Work-Related Injuries and Illnesses (Form 300)	Record entries within 7 days.	8 CCR § 14300.29; 8 CCR § 14300.32; Cal. Labor Code §6410
Injury and Illness Incident Report (Form 301) - State Fund as a Self Insured Employer	Within 7 days of incident or within 8 hours of fatality or serious injury.	8 CCR § 342(a); 8 CCR § 14300.29; 8 CCR § 14300.32; Cal. Labor Code § 6410

### Division of Workers' Compensation (DWC)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Notice of Medical Provider Network Plan Modification	When changes are made to the plan.	Cal. Labor Code 4616; 8CCR 9767
Annual Report of Claims Inventory	Annually by 4/1.	8 CCR 10104
Workers' Compensation Information Systems (WCIS) Reporting	Weekly reportings. New FROI & SROI due within 10 business days for claims with DOI 7/1/00 or after.	LC 138.6 & 138.7, and Cal. Regs. §§ 9700-9704.

### Employment Development Department (EDD)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
EDD Independent Contractor Reporting	Every 21 days- Form says Twice Monthly.	Cal. Unemployment Insurance Code §§ 1088.8, 1088.8(e)

### Fair Political Practices Commission (FPPC)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Notice of Amendment to Conflict of Interest Code	By 3/1 every odd year. *Report due March 1 but if amendment is needed, within 90 days of report.	2 CCR § 18736
Statement of Economic Interests (Form 700) for Designated Statutory Filers & Public Officials Who Manage Public Investments	Annually by 4/1.	Cal. Gov't Code §§87200 et seq.; 87302; 87500; 2 CCR § 18723
Statement of Economic Interests -State Fund CEO, CFO, and CIO	Annually by 4/1.	Cal. Gov't Code §§87200 et seq.; 87302; 87500; 2 CCR § 18723
Agency Report of New Positions (Fair Political Practices Commission Form 804)	UPON REQUEST	2 CCR §§ 18701, 18702.4, 18734
Agency Report of Consultants (Fair Political Practices Commission Form 805)	UPON REQUEST	2 CCR §§ 18701, 18734

### Franchise Tax Board (FTB)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Remittance of withholding amounts from resident and non-resident reporting (CA Form 592)	Quarterly by 4/15, 6/15, 9/15, and 1/15.	Cal. Revenue and Taxation Code §§ 18662, 18664, 18668; State Administrative Manual § 8422.194
Backup Withholding (CA Form 592) for Resident and Non-Resident Reporting	Quarterly by 4/15, 6/15, 9/15, and 1/15.	Cal. Revenue and Tax Code §§ 18662, 18669

### Internal Revenue Service (IRS)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
1099 Miscellaneous Annual Filing	Annually by 3/31.	I.R.C.§ 6041
1099 Interest Annual Filing	Annually by 3/31.	I.R.C. § 6049
Remittance of Backup Withholding Amounts from Backup Withholding Notices (B Notices)	By the 15th of each month or the next business day if 15th lands on a weekend or holiday.	I.R.C. §§ 3406, 6041

Annual Reporting of Federal Withholding (Form 945)	Annually by 1/31.	I.R.C. §§ 3402, 3405, 3406
1042 Reporting of payments made to foreign persons of U.S. source income	Annually by 3/15.	I.R.C. §§ 1441, 1442, and 1443
Remittance of withheld amounts from 1042 reporting	Varies depending on the amount of deposit.	I.R.C. §§ 1441, 1442, and 1443
Quarterly Federal Excise Tax Return	Quarterly by 4/30, 7/31, 10/31, and 12/31.	I.R.C. § 4372(a), Treasury Reg. 46371-3(b)

### Office of Foreign Assets Control (OFAC)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Reporting of Specially Designated Nationals (SDN)	Within 10 business days of determining a match between State fund records and OFAC SDN list.	31 CFR § 501.603,604
Annual Report of Blocked Property Transactions	Report by 9/30 properties determined to be blocked as of 6/30.	31 CFR § 501.603, 604

### Secretary of State

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Report of Lobbyist Employer	Quarterly 4/30, 7/31, 10/31, 1/31. *Req'd only if lobbyist is retained.	Cal. Gov't Code § 86111 et seq.
Lobbying Firm Authorization Statement	Within 10 days of qualifying as a lobbyist employer and biannually between 11/1 and 12/31 in even numbered years. *Req'd only if a lobbyist is retained.	Cal. Gov't Code §§ 86101, 86104, 82039.5

### South Coast Air Quality Management

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Emission Reduction Program Annual Registration	Annually by 9/15.	Cal. Health & Safety Code 40458; SCAQMD Rule 2202

## State Auditor

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Attestation to State Auditor of Whistleblower Notice to Employees	Annually by 6/30.	Cal. Gov't. Code §§ 8548.2, 8548.3
Report of Results of Investigation of Improper Governmental Activity	Per occurrence; Report to State Auditor within 60 days of referral to investigate, and monthly thereafter until final action is taken.	Cal. Gov't Code §§ 8547.6, 8547.7
Report of Actions to Implement State Auditor Investigation Recommendations	Per occurrence; Report to State Auditor within 60 days of referral to investigate, and monthly thereafter until final action is taken.	Cal. Gov't Code § 8547.7

## State Controller's Office (SCO)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Percentage of Current Year Claims Payment - States	Annually by 9/1.	Cal. Gov't Code §§ 12460, 12461, 13344
Outstanding Compensation and Medical Per Agency - States	Annually by 9/1.	Cal. Gov't Code §§ 12460, 12461, 13344
Annual Summary of State Agency Billing (K0171)	Annually by 9/1.	Cal. Gov't Code §§ 12460, 12461, 13344
Monthly Summary of State Agency Billing (K0717)	Annually by 9/1.	Cal. Gov't Code §§ 12460, 12461, 13344
Unclaimed Property Report	Preliminary filing for list of perspective escheatment payments due by 11/1. Final report with remittance due annually by 6/15.	Cal. Code of Civil Procedure § 1530

## U.S. Dept. of Labor

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Insurance Carrier Agreement & Undertaking (Form LS-275)	Due when Dept. of Labor modifies the security deposit for US L&H claims or when security deposit pledged matures.	20 CFR §703.213; 33 U.S.C. §§ 901-945; 30 USC § 932

Report of Compensation and Medical Payments made to the U.S. Dept. of Labor (form LS-513)	Annually by March (date determined by agency).	33 U.S.C. § 901 et seq., 20 CFR Parts 701-704; 702.148; 703.212
Report of Injury Experience of Insurance Carrier or Self-Insured Employer (Form LS-274)	Annually by Oct (date determined by agency).	21 CFR §§ 701-704; 702.148; 703.212
Application for Security Deposit Determination for future claims related obligations (Form LS-276)	Annually by Oct (date determined by agency).	22 CFR §§ 701-704, 702.148, 703.212
Authorized Insurance Companies and Self-Insured Employers Under the L&H Workers' Compensation Act and Extensions	Annually by 7/1.	20 CFR § 702.148
Carrier's Report of Issuance of Policy	At issuance and renewal of L&H policy (Form LS-570).	20 CFR § 703.116

### U.S. Bureau of Labor and Statistics (BLS)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
Survey of Occupational Injuries and Illnesses	Upon Request - Within 30 days of receipt.	8 CCR § 14300.42; 29CFR § 1904.32; Cal. Labor Code § 6410

### Workers Compensation Insurance Rating Bureau (WCIRB)

REPORT TITLE	TIME REQUIREMENT	REGULATORY CITATION
WCIRB Aggregate Financial Data Call	Per Quarterly Call for Large Deductible, Aggregate Indemnity and Medical Costs, Expense Call and request for Data Certification Form.	Cal. Ins. Code §§ 11750.3, 11751.5
Workers' Compensation Insurance Rating Bureau (WCIRB) Medical Transaction Data Medical Data Call	Quarterly by 3/31, 6/30, 10/31, 12/31.	Cal. Ins. Code §11750.3, 11759.1,
Unit Statistical Plan Corrections or Revisions of Losses	4 times monthly, automated process by 3rd business day, 10, 19, and 3rd business day prior to end of the month.	10 CCR § 2318.6 Cal. Ins. Code § 11751.8
Experience Rating Plan Corrections or Revisions of Losses	Within 30 days of any modification.	Cal. Ins. Code § 11734

Workers' Compensation Insurance Rating Bureau (WCIRB) Queries	Within 30 days of receipt.	10 CCR § 2318.6
Workers' Compensation Insurance Rating Bureau (WCIRB) Policy Data	Within 60 days of new policy inception.	Cal. Ins. Code §11750.3, 11751.5, 10 CCR § 2318.6
WCIRB Data Quality Enhancement Program information requests	Within 30 days of request date.	10 CCR § 2318.6
Workers' Compensation Insurance Rating Bureau (WCIRB) Unit Statistical Report	Weekly. Processed in batches of 4 times per month. For each policy claim, the first report is due 18 months following the policy inception date with an additional 9 reports scheduled at regular intervals of 12 months from each other.	10 CCR § 2318.6 et seq.
WCIRB Test Audits of Payroll Reporting	Initial response due within 10 days of receipt of WCIRB's test audit list. Considered delinquent after 30 days.	Cal. Ins. Code §11750.3
WCIRB Test Audit information request or quarterly report	Within 30 days of request or report.	10 CCR § 23186.6