

LEGAL, COMPLIANCE AND INTERNAL AUDIT

Legal, Compliance and Internal Audit Division
Christy Allen, Assistant Treasurer

- Advisory Council on Workers' Compensation
- Old Age and Survivors Insurance Agency
- Tennessee Claims Commission



The Legal, Compliance and Internal Audit Division ensures that a strong culture of compliance is an unalterable part of the Tennessee Treasury Department.

The Legal, Compliance and Internal Audit Division also supports, administers, or oversees the following:

- Advisory Council on Workers' Compensation
- Old Age and Survivors Insurance Agency (OASI)
- Tennessee Claims Commission

LEGAL

Treasury has seven in-house attorneys who serve as primary counsel to Treasurer Lillard and handle all legal matters pertaining to Treasury Department programs and related State Boards and Commissions. Because of the broad nature of Treasury's programs, attorneys deal with legal issues related to such areas as public pension plans, securities, tax, workers' compensation, contracts, and claims against the State.

COMPLIANCE

JENNIFER SELLERS, COMPLIANCE OFFICER

The Compliance division utilizes a double-faceted approach to developing, implementing, and administering a robust compliance program. Two staff compliance officers perform functions related to risk-based securities and investment compliance, and non-securities compliance. The program is reasonably designed to ensure that policies and procedures adhere to laws, rules and regulations, and to prevent, detect and, if necessary, remediate violations. The compliance officers also analyze investment activities and operations, monitor current investment processes and internal controls, and engage with Investment staff and outside parties on compliance-related matters.

INTERNAL AUDIT

EARLE PIERCE, DIRECTOR

Treasury's six in-house auditors support the Department and Treasurer Lillard by means of independent, objective evaluations of the Department's processes, operations, control systems, and functions. In-house audits and risk assessments are frequently performed on key business activities in order to improve department operations, assess compliance to rules and regulations, and address risks based on professional auditing standards. The oversight provided by internal auditors ensures compliance with policies, procedures, laws, regulations, and contracts that could have a significant impact on operations.

Treasury's auditors utilize an Audit Command Language (ACL) System to analyze databases for indications of fraud, errors and data anomalies, including the data of the Tennessee Consolidated Retirement System. Internal Audit has also recently begun performing participating employer census audits for TCRS as a result of the Governmental Accounting Standards Board (GASB) adopted statements 67 and 68 relating to accounting and financial reporting for pensions.

ADVISORY COUNCIL ON WORKERS' COMPENSATION (ACWC)

treasury.tn.gov/claims/wcadvisory

The Advisory Council on Workers' Compensation (ACWC) studies workers' compensation issues and provides information, research and recommendations concerning workers' compensation issues to the Tennessee General Assembly, the Department of Commerce and Insurance, and the Department of Labor and Workforce Development. The ACWC is authorized to monitor the performance of the workers' compensation system in the implementation of legislative directives, make recommendations relating to the adoption of rules and legislation, and to make recommendations regarding the method and form of statistical collections. In addition, at the request of the General Assembly, the ACWC annually reviews and provides comments and recommendations on proposed workers' compensation legislation.

The ACWC is comprised of the State Treasurer, who serves as Chair, three voting members who represent employees, three voting members who represent employers, ten nonvoting members, and four ex officio members.

OLD AGE AND SURVIVORS INSURANCE AGENCY (OASI – SOCIAL SECURITY)

treasury.tn.gov/oasi/index

The Old Age and Survivors Insurance Agency (OASI) is responsible for administering the Social Security and Medicare coverage programs for state and local (public) government employers throughout the State of Tennessee pursuant to Section 218 of the Social Security Act. A significant part of the OASI's responsibilities is to assist Tennessee public employers by serving as a facilitator and communications bridge between the employers, the Social Security Administration (SSA), and the Internal Revenue Service (IRS). A State Social Security Administrator is assigned to maintain and administer this function.

CLAIMS COMMISSION

treasury.tn.gov/claims

The Claims Commission is an administrative tribunal, created under Tennessee Code Annotated, Section 9-8-301, et seq., to hear money damages claims against the state based on the acts or omissions of state employees in 22 statutory categories. Most notably, the Commission has jurisdiction over claims in tort (e.g. negligent care, custody and control of persons, property or animals; professional malpractice; negligent operation or maintenance of a motor vehicle; dangerous conditions on state maintained highways, or state controlled real property); claims for breach of a written contract; claims for recovery of taxes paid under protest to the Department of Commerce and Insurance; state workers compensation claims, and criminal injuries compensation claims. As a condition for the waiver of the state's sovereign immunity, state employees are immunized from liability for state law claims for acts or omissions within the scope of their employment, except for willful, malicious, or criminal acts. Claims are payable from the Risk Management Fund.

Damages for tort claims falling within the Commission's jurisdiction are limited to \$300,000 per claimant or \$1,000,000 per occurrence. There is no limitation on awards for breach of contract. The maximum award for criminal injuries compensation claims is \$30,000.

There are three Claims Commissioners, each of whom hears cases arising in his or her grand division:

James A. Hamilton, III Western Division (Dyersburg) Term Expires: June 30, 2023	Robert N. Hibbett Middle Division (Nashville) Term Expires: June 30, 2019	William (Bill) Shults Eastern Division (Newport) Term Expires: June 30, 2017
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As required by Tennessee Code Annotated, Section 9-8-302, the Commissioners are appointed by the Governor and confirmed by the General Assembly. In addition, the Commissioners must be residents of Tennessee for more than five years, must have been residents of their respective grand divisions for more than one year, must have practiced law for more than one year, and must not maintain a private law practice.

CLAIMS COMMISSION'S OPERATION

Except for claims for the recovery of taxes, which are initiated by filing with the clerk of the Claims Commission, claims are commenced by filing a notice of claim with the Division of Claims Administration or in the case of workers' compensation actions with the third party administrator. If the claim is denied, it may be appealed to the Claims Commission. Claims upon which no action is taken within 90 days automatically transfer to the Commission.

The state is represented before the Commission by the Office of the Attorney General or his delegatee. The Commission maintains two separate dockets: a regular docket consisting of claims with a monetary value of more than \$25,000 and a small claims docket for claims of \$25,000 and under. The Tennessee Rules of Civil Procedure are applicable. Commissioners are required to make written findings of fact and conclusions of law in all regular docket claims. At the request of two Commissioners, the Commission can sit en banc to decide any matter in which there is a disagreement among Commissioners. Decisions in regular docket claims may be appealed to the Tennessee Court of Appeals and workers' compensation cases may be appealed to the Tennessee Supreme Court. Judgments rendered against the state in the Claims Commission are paid by the Division of Claims Administration.

NUMBER OF CLAIMS OPENED AND NUMBER OF DISPOSITIONS
FISCAL YEAR 2015

	Number of Claims Opened	Number of Dispositions
July 2014	81	64
August 2014	99	102
September 2014	60	65
October 2014	74	78
November 2014	90	69
December 2014	72	43
January 2015	58	64
February 2015	60	44
March 2015	57	88
April 2015	68	44
May 2015	71	68
June 2015	75	125
Totals	<u>865</u>	<u>854</u>

