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Date: February 1, 2019

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 5 – Whistleblower Hotline
II. NAME AND TITLE:	Patrick Gage, Vice President of HR Connect
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

AIM: The purpose of this report is to provide the Audit Committee a summary of alleged ethical issues reported to State Fund by employees or members of the public. Twenty-four items were reported from October 1, 2018 through December 31, 2018.

SITUATION: State Fund receives reports from a number of different sources, including our internal Case Management System (CMS), referrals from the Privacy Office, and through our whistleblower and ethics hotlines.

PLAN: Human Resources provides the State Fund Audit Committee with a quarterly report regarding the number of reported item and type of allegation. This report includes statistical information for the quarter, and if any, trends.

ATTACHMENTS:

1. Q4-2018 - Ethics Allegations Report (Open Session) 10/1/2018 – 12/31/2018
2. Allegations Reported by Month
3. Allegations Reported by Hotline Benchmark category
4. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q4-2018 - Ethics Allegations Report (Open Session) 10/1/2018 – 12/31/2018

EXECUTIVE SUMMARY: Human Resources and Internal Affairs investigate the majority of the matters referred through the internal Ethics Hotline, California Whistleblower Hotline (CWH), directly to Human Resources and our CMS. For the fourth quarter of 2018, there were 24 new allegations received, nine (9) did not require an investigation and were referred to our Manager Services Unit to address. Fifteen allegations were referred to the Internal Investigations Unit to investigate. Of these 15 allegations, 13 investigations are still in progress, and two (2) were closed as unsubstantiated. In addition, 32 investigation from prior quarters were closed.

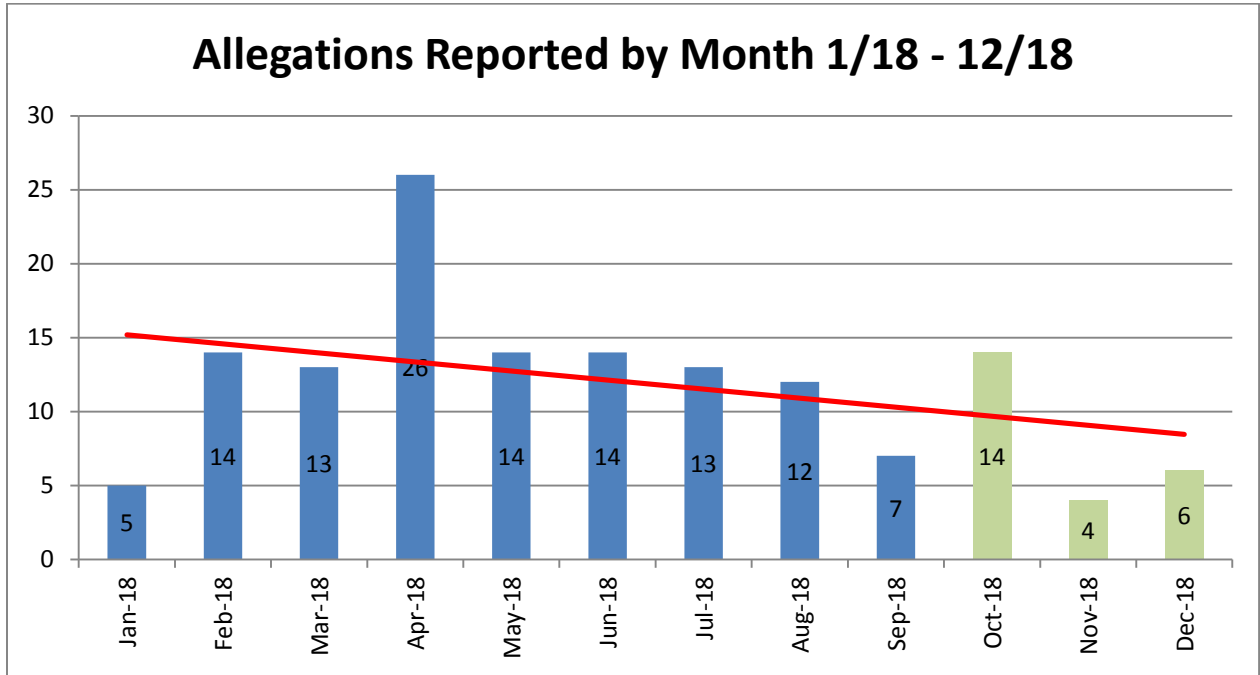
ANALYSIS: During the fourth quarter of 2018, there were 24 reports received from the following sources. The average number of allegations reported from all sources was 8 per month, which represents a decrease from the prior quarters. The chart below shows the reports by source:

<u>Reporting Method</u>	<u>Q4 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	9	~3
Direct Report	7	~2.3
Ethics Hotline	5	~1.6
CWH	1	~0.33
Other	2	~0.66

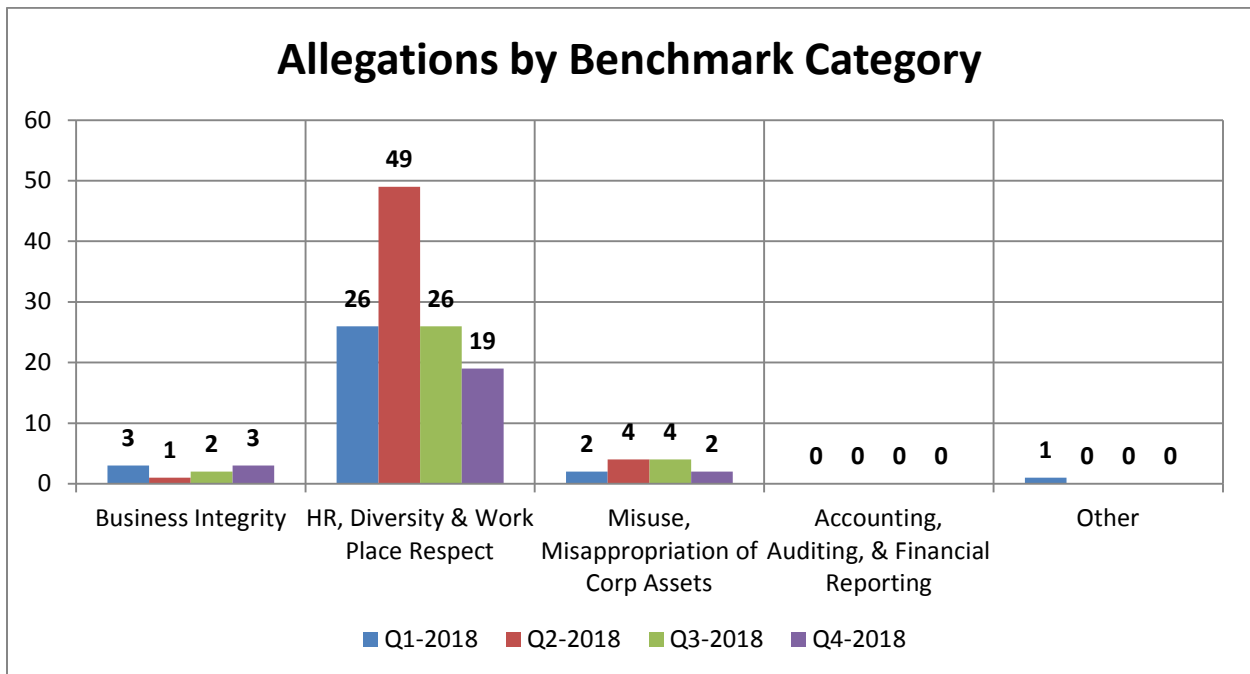
Of the 24 cases, 12 were conduct related cases, five (5) were EEO related cases, two (2) were conflict of interest cases, two (2) were misuse/abuse of time or resources, two (2) were performance related allegations, and one (1) was a business practices case.

Each reported item is reviewed as it could represent a risk to the organization. Human Resources works with management on identifying and implement risk mitigation measures, implements corrective actions and when necessary disciplinary measures. Where trends are identified, additional corrective measures will be developed and implemented.

Recommendations: As this an informational item, there are no recommendations at this time.



(Chart 1)



(Chart 3)

Hotline Benchmark category definitions

Business Integrity: Falsifying Records, Privacy and Data Security Breaches, Theft, Compliance and Regulatory Matters, Information Security, Vendor Relations, Claims, Policy, legal, and other Business Practices

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

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

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

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