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Date: May 10, 2019

**TO: MEMBERS, AUDIT COMMITTEE**

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

**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. Thirty-six items were reported from January 1, 2019 through March 31, 2019.

**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. Q1-2019 - Ethics Allegations Report (Open Session) 1/1/2019 – 3/31/2019
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. Q1-2019 - Ethics Allegations Report (Open Session) 1/1/2019 – 3/31/2019

**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 first quarter of 2019, there were 36 new allegations received, of which fifteen did not require an investigation and were referred to our Manager Services Unit to address. Twenty-one allegations were referred to the Internal Investigations Unit to investigate. Of these 21 allegations, 17 investigations are still in progress, and four (4) were closed as unsubstantiated. In addition, 7 investigations from prior quarters were closed.

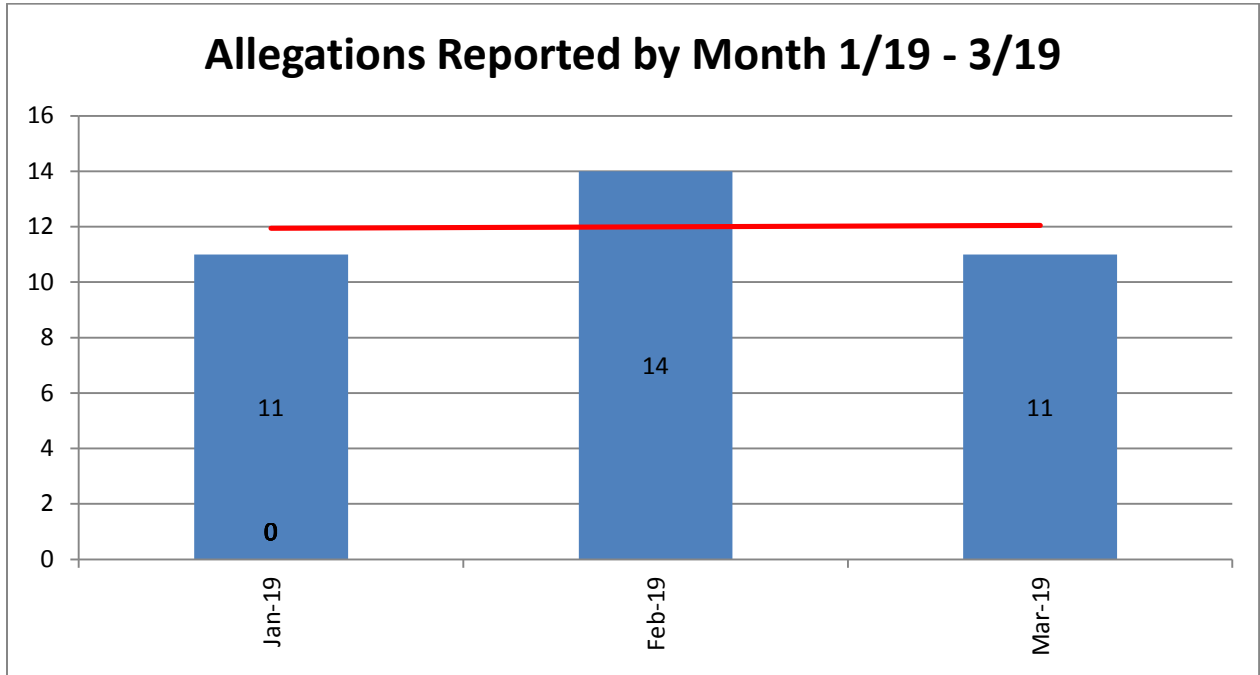
**ANALYSIS:** During the first quarter of 2019, there were 36 reports received from the following sources. The average number of allegations reported from all sources was 12 per month, which represents an increase of four per month from the prior quarter. The chart below shows the reports by source:

<u>Reporting Method</u>	<u>Q1 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	5	~1.67
Direct Report	16	~5.3
Ethics Mailbox	4	~1.33
THP	11	~3.67

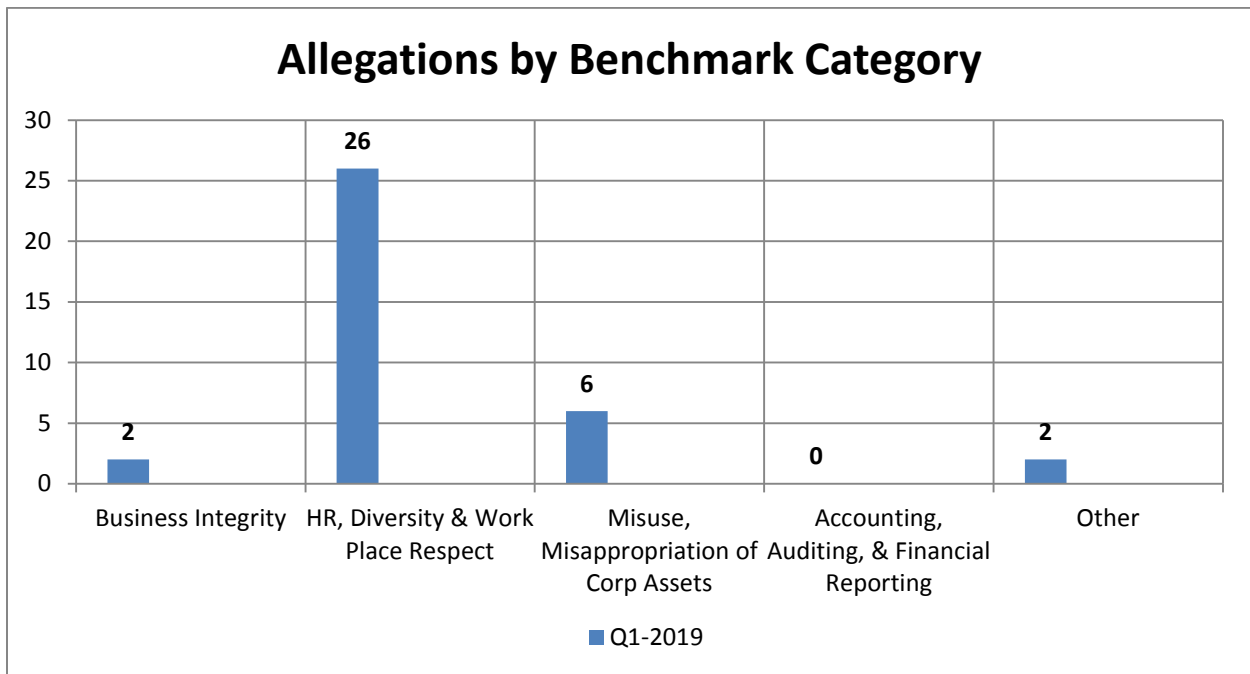
Of the 36 cases, 12 were EEO related cases, 11 were conduct related cases, six (6) were misuse/abuse of time or resources, two (2) were attendance related allegations, two (2) were performance related allegations, two (2) were business practice cases and one (1) was a hiring practice allegation.

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