**STATE COMPENSATION INSURANCE FUND**

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Date: May 11, 2018

## 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: | ☒ Informational<br>☐ Request for Direction<br>☐ Action Proposed<br>☐ Exploratory |
|  |  |
| IV. JUSTIFICATION: | ☒ Standard/Required Item<br>☐ Board Request – New Item<br>☐ New Topic from Staff |

**AIM:** The purpose of this report is to provide the Board a summary of the 128 ethics allegations reported during the period January 1, 2018 through March 31, 2018.

**SITUATION:** State Fund receives reporting on ethics related issues from a number of different sources to include our internal Case Management System (CMS), referrals from our Privacy Office, and through our whistleblower and ethics hotlines.

**PLAN:** Human Resources will provide the State Fund Audit Comittee with a quarterly report regarding the use and effectiveness of State Fund's reporting methods. This report will include statistical information for the quarter.

**ATTACHMENTS:**
1. Q1-2087 - Ethics Allegations Report (Open Session) 1/1/2018 – 3/31/2018
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q1-2018 Completed Investigations
5. Benchmark category definitions

**ITEM NAME:** 1. Q1-2018 - Ethics Allegations Report (Open Session) 1/1/2018 – 3/31/2018

**EXECUTIVE SUMMARY:** Human Resources and Internal Affairs investigate the majority of the matters referred through the ethics hotline, California Whistleblower Hotline, Human Resources CMS, and the Privacy Office. For the first quarter of 2018, there were 128 new allegations received, 83 did not require an investigation and were referred to our Manager Services Unit to address and 46 were referred to the Internal Investigations Unit to investigate.  24 of these investigations are still in progress and 22 investigations have been closed.  From the 22 closed investigations, one involved a respondent not with State Fund, one was covered in another investigation, one was closed after the intake interviews because there was not enough information to move forward with an investigation, two involved allegations that have been previously reported and addressed, and  six were unsubstantiated.  The remaining 11 allegations were substantiated and referred to Manager Services for action.
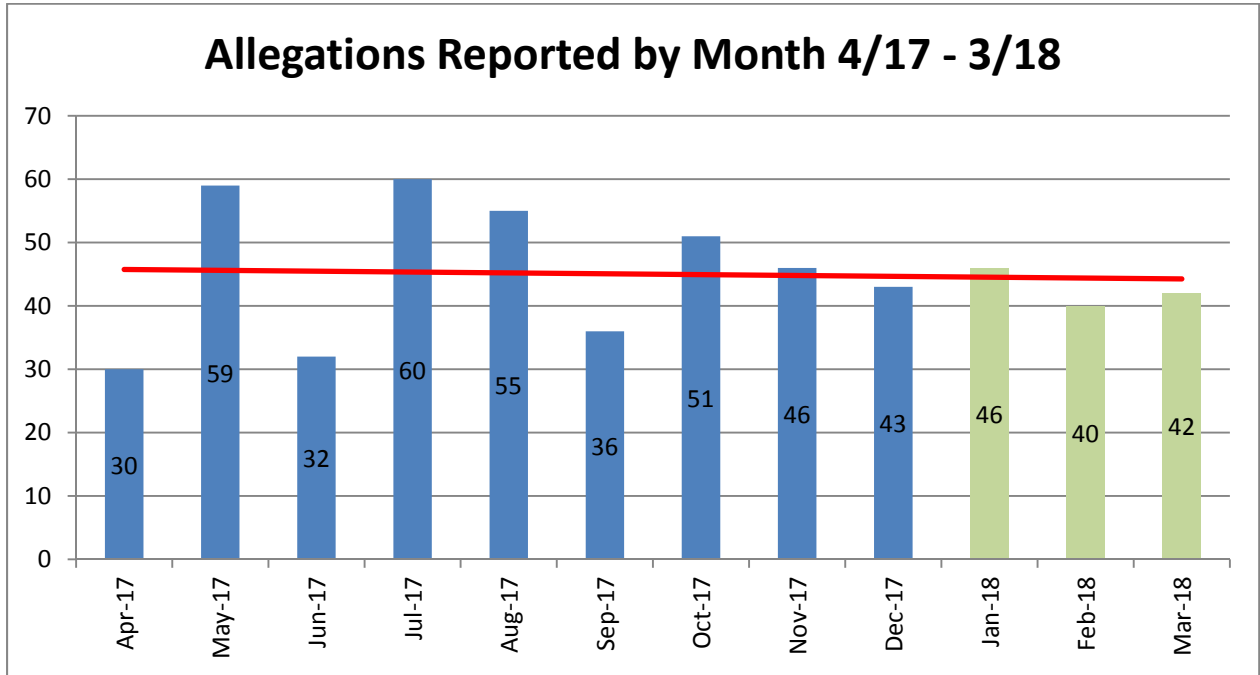
**ANALYSIS:**  During the first quarter of 2018, there were 128 reports received from the following sources. The average number of allegations reported from all sources was 43 per month:

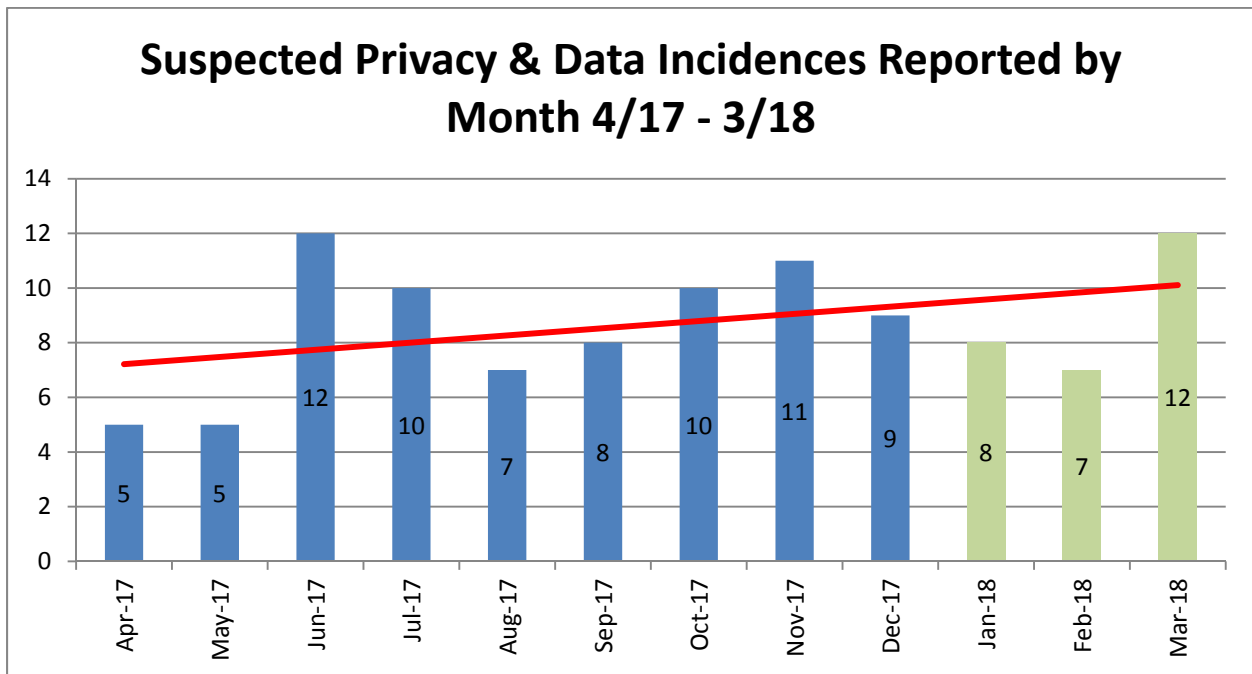| Reporting Method | Q1 Reports | Avg Rpts/Mo |
| --- | --- | --- |
| CMS | 37 | ~12 |
| Direct Report | 60 | ~20 |
| TPH | 5 | ~2 |
| Privacy Office | 24 | ~8 |
| Other | 2 | ~1 |

**Suspected Privacy Instances**:  Suspected data incidences and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to represent about 21% of reports received by the Manager Services or Internal Investigations Units.  During the first quarter of 2018 there were a total of 27 suspected privacy incidences reported, 12 of which are still under investigation.  Of the remaining 15 completed investigations, 14 were found to be violations of the Privacy and Confidentiality Corporate Policy.

**Non-Privacy Cases:  :**  During the first quarter of 2018 there were a total of 101 non-privacy related cases reported; 43 were conduct related cases, 39 were attendance or time theft cases, 12 were EEO related cases, and 7 cases were from various other categories.
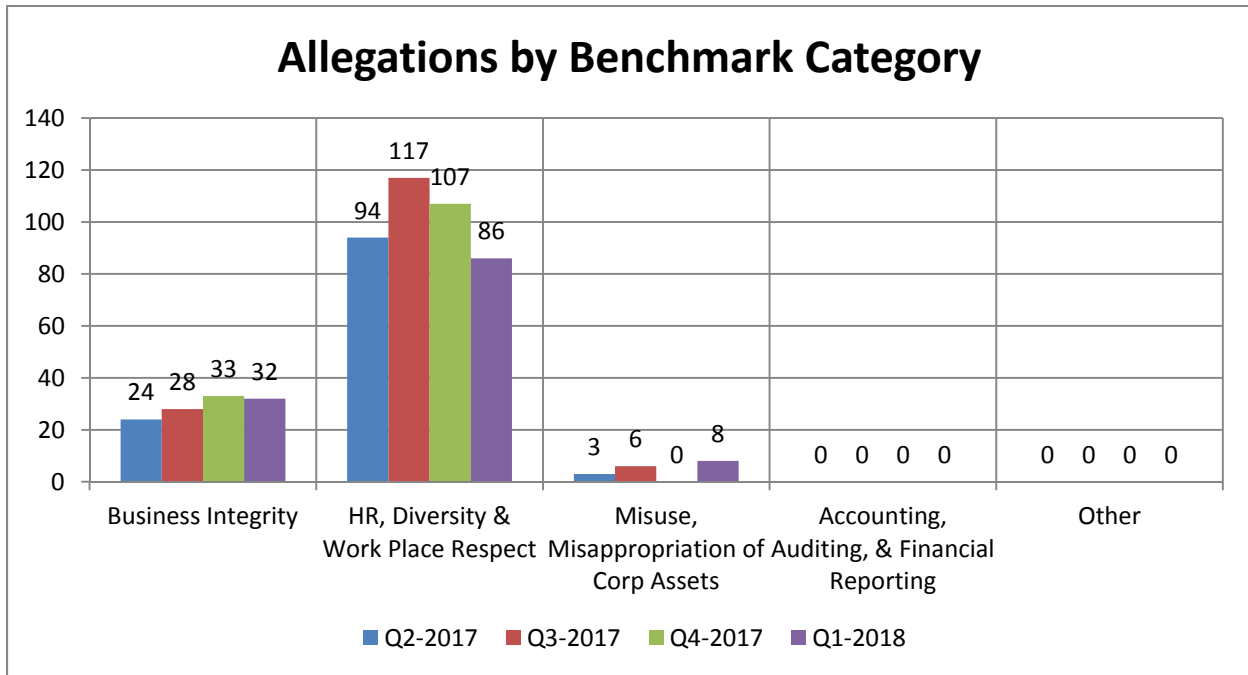
**Recommendations:**  Every instance of observed misconduct and privacy violations represents a risk to the organization.  Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures where necessary. Where trends are identified, corrective measures will be developed and implemented and we will continue to work with programs on training and counseling to address identified issues
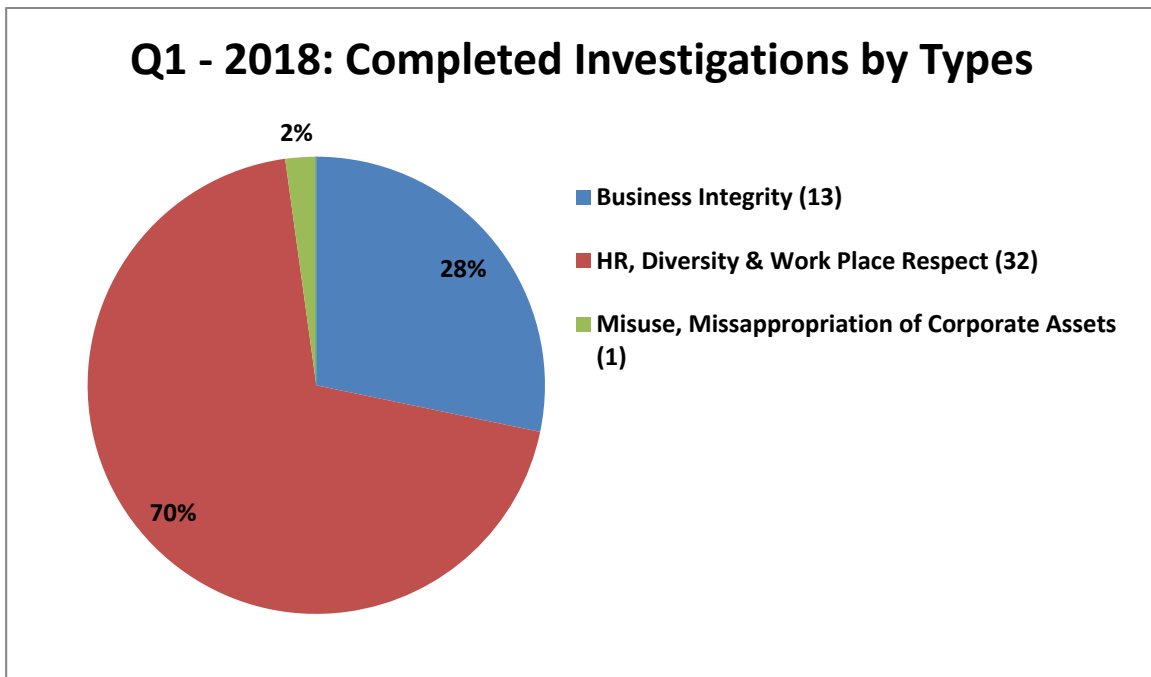
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COMPENSATION
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## Allegations Reported by Month 4/17 - 3/18



(Chart 1)

## Suspected Privacy & Data Incidences Reported by Month 4/17 - 3/18



(Chart 2)

## Allegations by Benchmark Category



(Chart 3)

**Q1 - 2018: Completed Investigations by Types**

- Business Integrity (13)
- HR, Diversity & Work Place Respect (32)
- Misuse, Missappropriation of Corporate Assets (1)

28%
70%
2%

(Chart 4)



**Q1 - 2018: Disposition of Completed Investigations**

- Referred for Disciplinary Action (25)
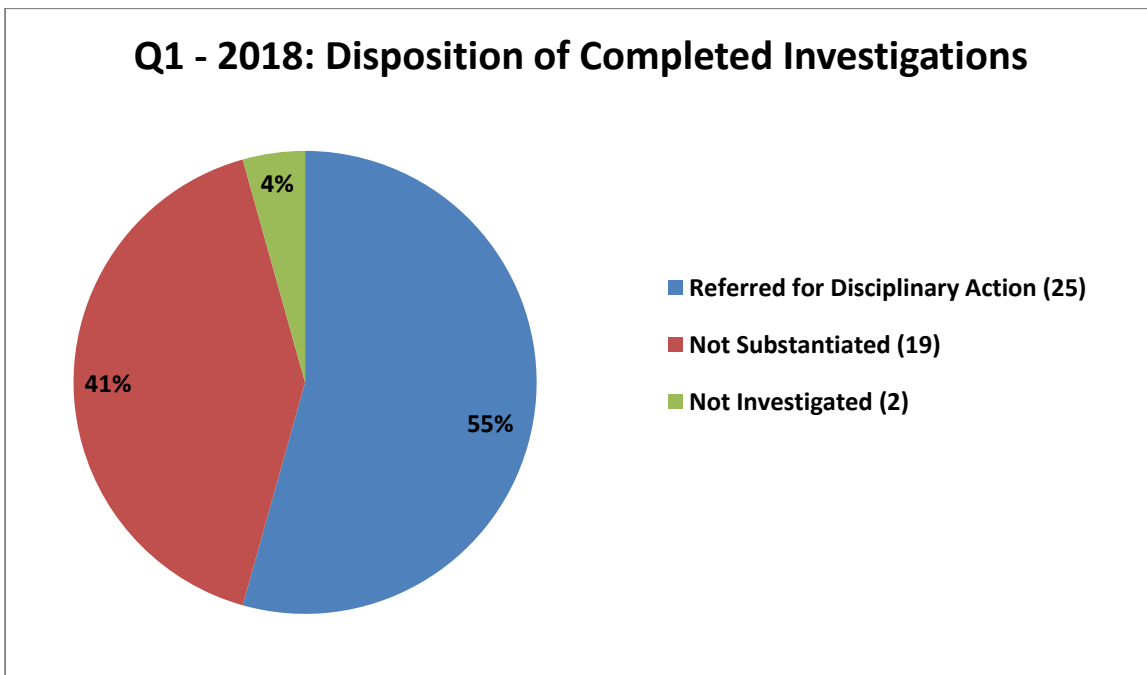- Not Substantiated (19)
- Not Investigated (2)

55%
41%
4%

Chart (5)

# 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, Performance

**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 Compliance.