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Date: November 3, 2017

**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 Board a summary of the 151 ethics allegations reported during the period July 1, 2017 through September 30, 2017.

**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 Committee 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. Q3-2017 - Ethics Allegations Report (Open Session) 7/1/2017 – 9/30/2017
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q3-2017 Completed Investigations
5. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

**ITEM NAME:** 1. Q3-2017 - Ethics Allegations Report (Open Session) 7/1/2017 – 9/30/2017

**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 third quarter of 2017, there were 151 new allegations received, 106 did not require an investigation and were referred to our Manager Services to address and 45 were referred to the Internal Investigations Unit to investigate. 18 of these investigations are still in progress and 27 investigations have been completed. From the 27 completed investigations, six resulted in the allegations being unsubstantiated and one was not investigated, due to the respondent not wanting to move forward with an investigation. The remaining 20 allegations were substantiated and referred to Manager Services for action.

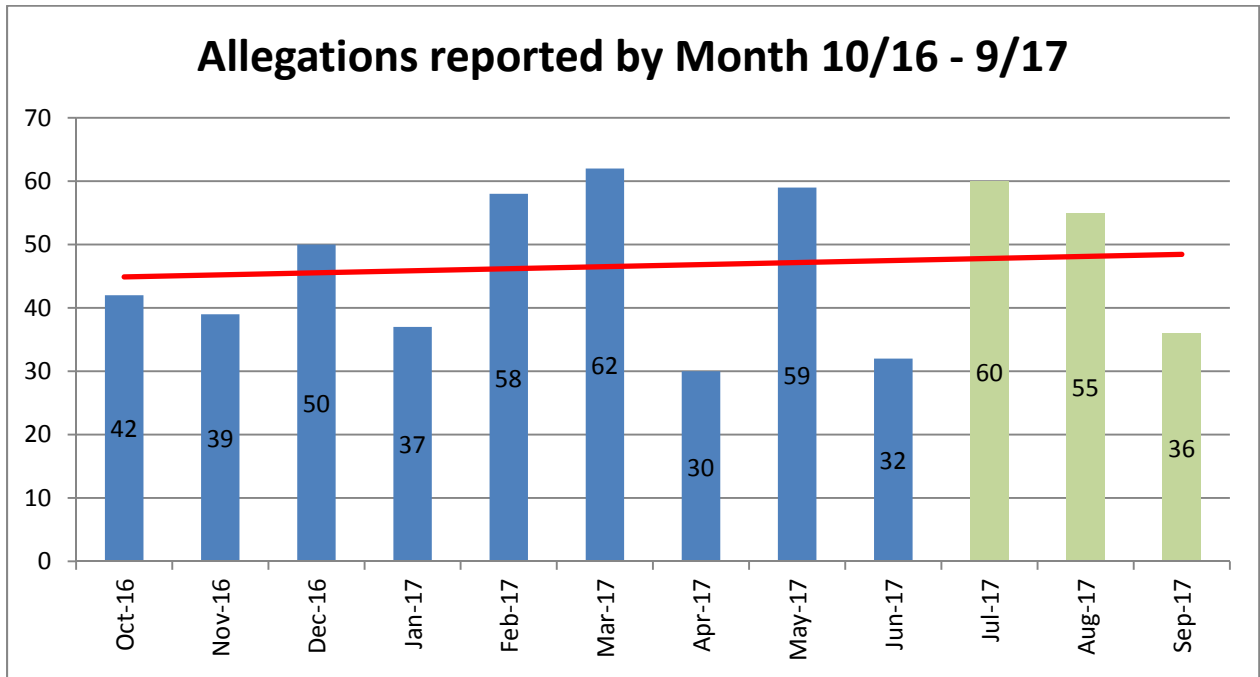
**ANALYSIS:** During the third quarter of 2017, there were 151 reports received from the following sources. The average number of allegations reported from all sources was 50 per month:

<u>Reporting Method</u>	<u>Q3 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	35	~11
Direct Report	84	~28
TPH	6	~2
Privacy Office	25	~8
Other	1	~<1

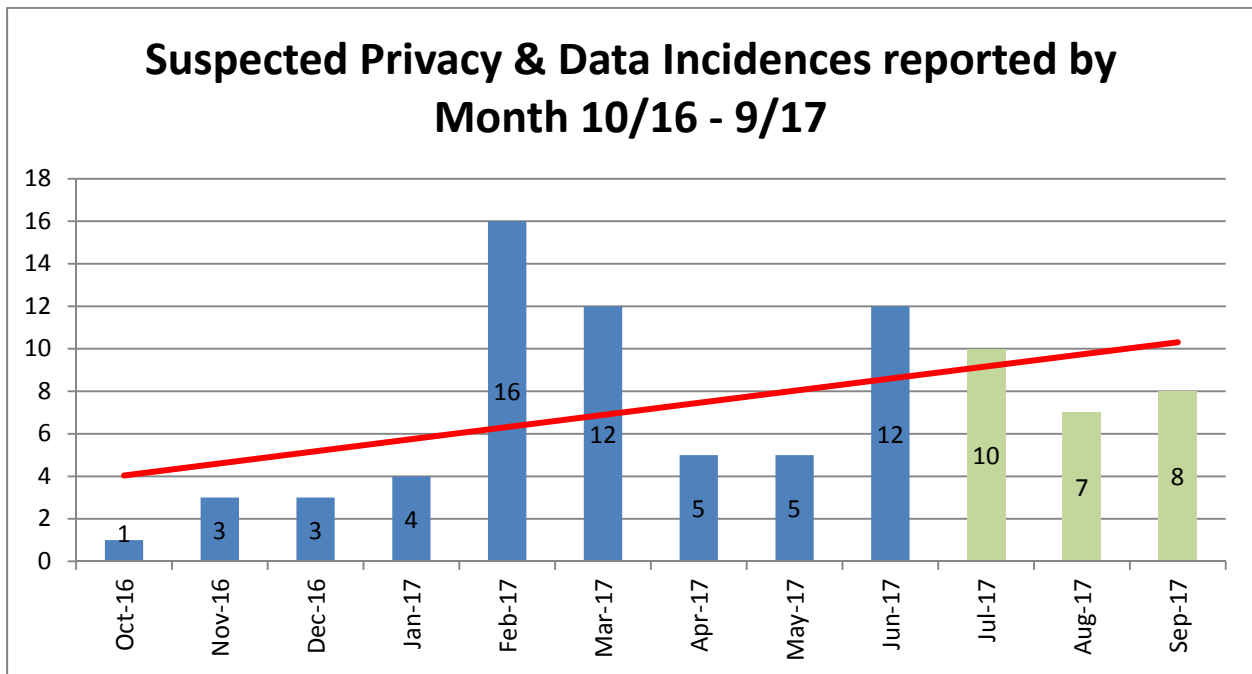
**Suspected Privacy Instances:** Suspected data incidences and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems represents about 16% of reports received. During the third quarter of 2017 there were a total of 25 suspected privacy incidences reported, one of which is still under investigation. Of the remaining 24, all were found to be violations of the Privacy and Confidentiality Corporate Policy.

**Non-Privacy Cases:** During the third quarter of 2017 there were a total of 126 non-privacy related cases reported; 37 were attendance or time theft cases, 57 were conduct related cases, 12 were EEO related cases, and 20 cases were from various other categories.

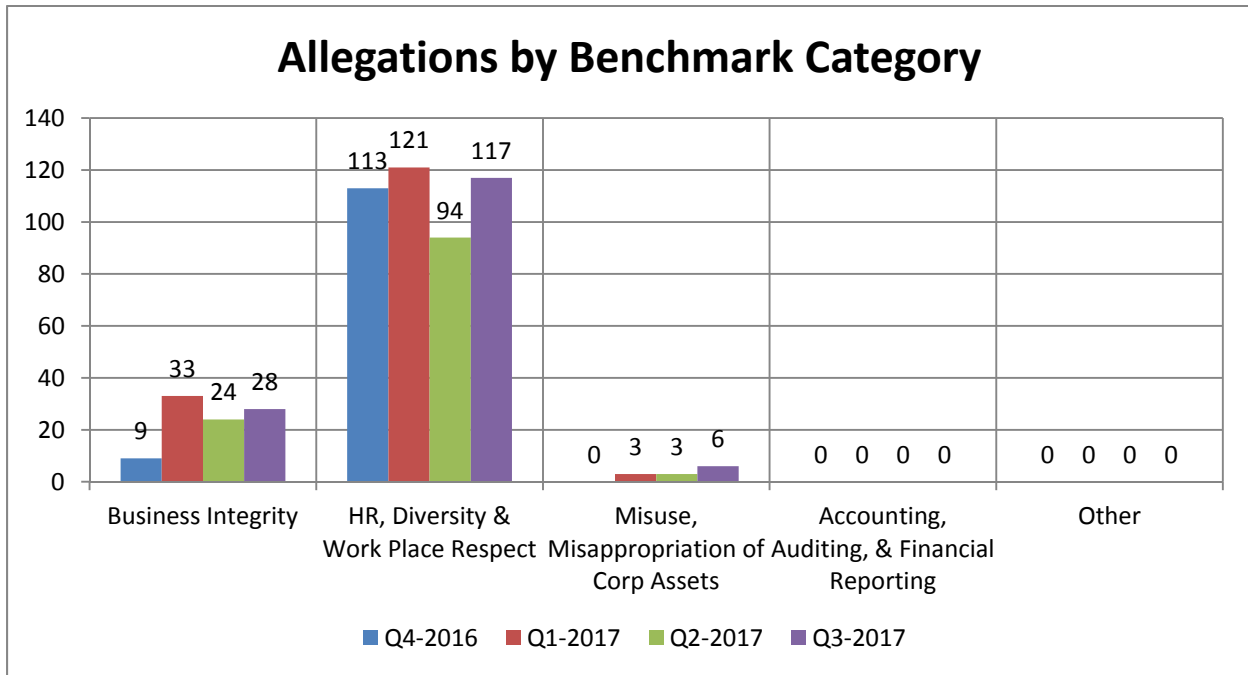
**Recommendations:** Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures 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



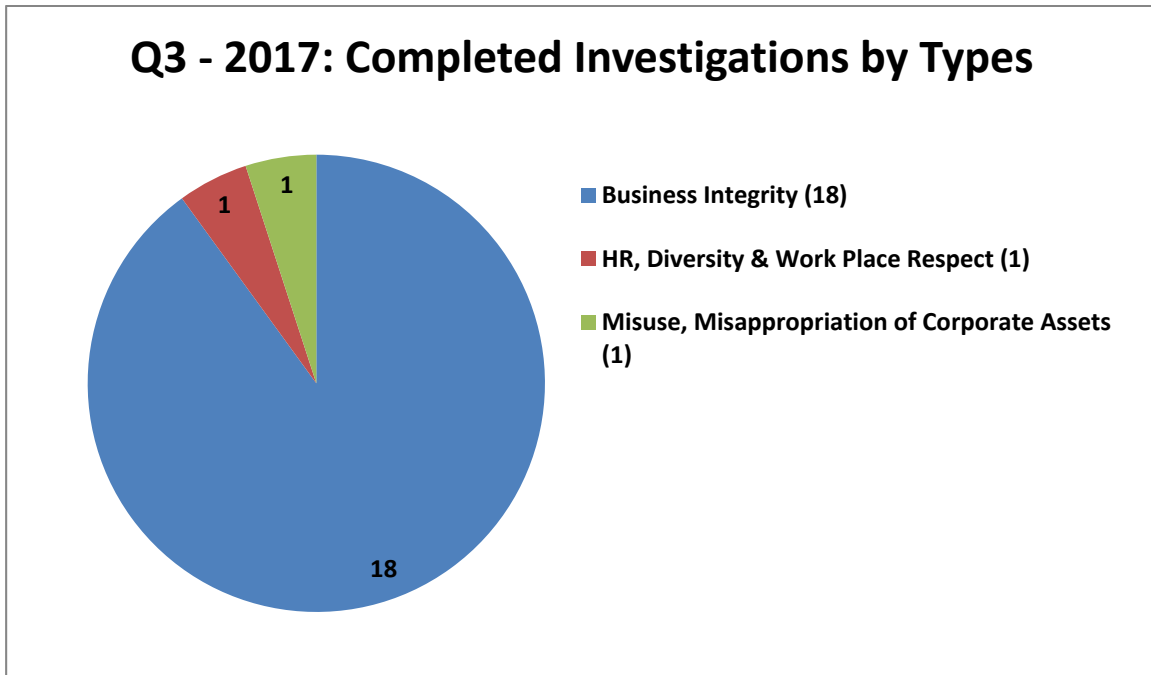
(Chart 1)



(Chart 2)



(Chart 3)



(Chart 4)

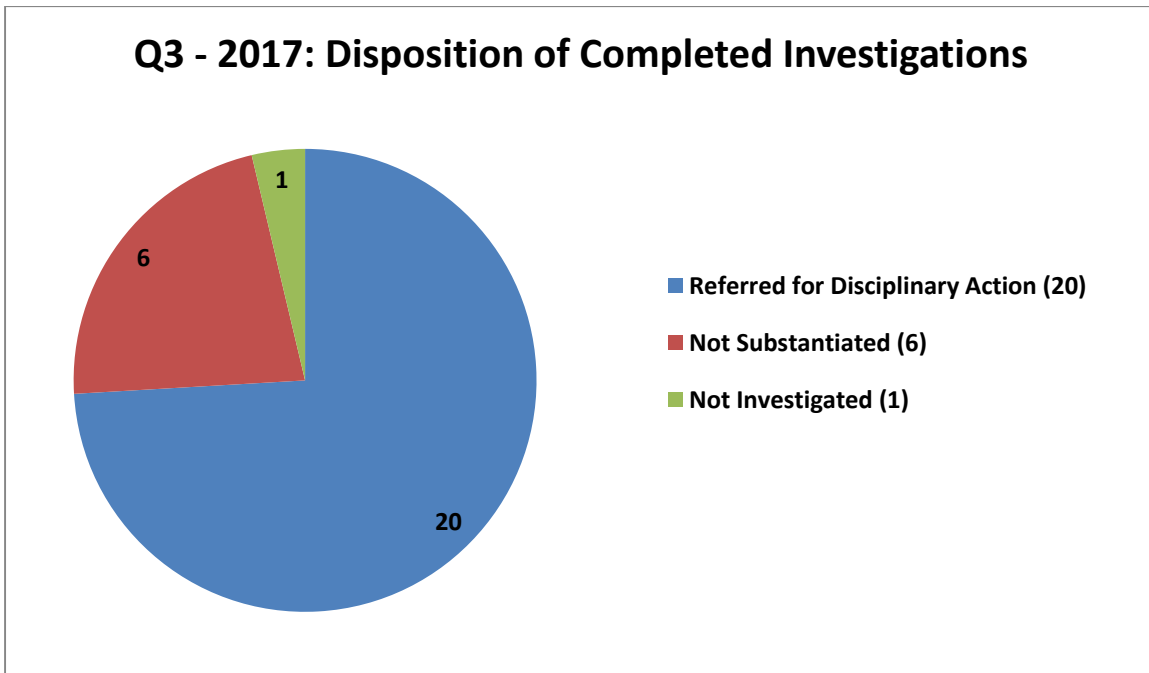


Chart (5)

## 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.