

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 7

ATTACHMENT 7-II

(Distributed at Meeting with Copies Available for Public on Meeting Day)

INTERNAL AUDIT ACTIVITY REPORT  
(Bureau of State Audits Overview)

PRESENTED BY: Lisa Middleton

July 9, 2009

**STATE  
COMPENSATION  
INSURANCE  
FUND**

# Internal Audit

Bureau of State Audits Overview

July 9, 2009

# Agenda

- Bureau of State Audits (BSA) Jurisdiction over State Fund
- BSA Procedures for Complaints
- State Fund Notifications from BSA
- State Fund Procedures for BSA Requests/Notifications

# BSA Jurisdiction over State Fund

## Senate Bill 1452 - effective January 1, 2007

- ✓ Amended California Insurance Code 11873 to extend the BSA's authority to conduct investigations under the California Whistleblower Protection Act to include State Fund employees

Government Code (GC) 2547.6 gives the BSA authority to engage assistance of any department, agency or employee in the conduct of an investigation

- ✓ This section also prohibits communication about the investigation or information obtained in the investigation without approval of the BSA

Assembly Bill 1447-09 was introduced in February 2009 and recommends adding GC 8543.8 to specifically include State Fund as being under the BSA's investigation and audit authority

# BSA Jurisdiction over State Fund

All complaints under the California Whistleblower Protection

Act go through the BSA

- ✓ The BSA can only follow up on improper government activity
  - Any action that violates the law
  - Misuse or abuse of state property or time by state employees
  - Gross misconduct, incompetence, or inefficiency by state employees

# BSA Procedures for Complaints

## BSA Procedures When a Complaint is Received

- ✓ BSA staff will conduct a careful evaluation of the complaint to determine whether it has enough potential merit to warrant the expenditure of state resources to conduct an investigation
- ✓ The BSA encourages the following when the whistleblower files their complaint:
  - Clear and concise statement regarding the allegations
  - Names or other information clearly identifying the person who is alleged to have acted improperly
  - Names of witnesses or documents that will support the allegations
  - Identification of the whistleblower for interview purposes
  - Submission of copies of any documents supporting the complaint

# BSA Procedures for Complaints

## BSA Procedures When a Complaint is Received (continued)

- ✓ Investigations are conducted confidentially, no updates are provided to the whistleblower – the whistleblower’s name will not be provided to State Fund
- ✓ If the investigation finds that there is evidence to support the allegations, a public report will be issued by the BSA – it will include the name of the agency but not the specific employee’s name
  - The BSA’s reports are issued semi-annually - see the most recent report issued on the BSA website: <http://www.bsa.ca.gov/pdfs/reports/I2008-2.pdf>
  - A draft report is issued to State Fund before publication
  - The matter can also be referred to the Attorney General, the Legislature or other entity having jurisdiction over the matter

# State Fund Notifications from BSA

## Types of Notifications Received

- ✓ Request for information only to support a potential investigation – State Fund response required within a specified time frame
- ✓ Notification of investigation completed by the BSA, corrective actions required from State Fund, response outlining actions and timeframes required within specified time period
- ✓ Notification of investigation to be completed by State Fund under the direction of the BSA, response required within a specified time frame from State Fund
- ✓ Notification of allegations received or investigation completed by the BSA, no response required from State Fund

## Notifications are Sent to:

- ✓ President of State Fund with a copy to the Senior Vice President, Internal Affairs
- ✓ Directly to the Senior Vice President, Internal Affairs

All investigations and requests are handled confidentially in Internal Audit unless permission is received to share the information



# State Fund Procedures for BSA Requests

Requests for information only to support a potential investigation, State Fund response required within a specified timeframe

- ✓ State Fund investigator gathers the information and sends it to the BSA investigator either via email or standard mail

Notification of investigation completed by the BSA, corrective actions required by State Fund, response outlining actions and timeframes required within specified time period

# State Fund Procedures for BSA Requests

Notification of investigation to be completed by State Fund under the BSA's direction

- ✓ The State Fund investigator determines an appropriate investigation plan
- ✓ Investigation plan is discussed with the BSA investigator via the phone – the plan is modified based on BSA feedback
  - This is an interactive process and the BSA provides any further direction they deem necessary
- ✓ When all items have been completed to the BSA's satisfaction, final findings are communicated by State Fund to the BSA
- ✓ If warranted, the case information is sent to HR to evaluate any employee actions necessary
- ✓ BSA incorporates the findings of the investigation report into their public report issued semi-annually
- ✓ State Fund is required to report any corrective action taken to the BSA within statutory timeframes
- ✓ BSA reports on the update of previously reported issues in their semi-annual reports