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Date: February 14, 2020

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 5 – Whistleblower Hotline
II. NAME AND TITLE:	Patrick Gage, Vice President of Corporate HR
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. Thirty-six items were reported from October 1, 2019 through December 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 items and type of allegation. This report includes statistical information for the quarter, and if any, trends.

ATTACHMENTS:

1. Q4-2019 - Ethics Allegations Report (Open Session) 10/1/2019 – 12/31/2019
2. Allegations Reported by Month
3. Allegations Reported by Hotline Benchmark category
4. Benchmark category definitions

ITEM NAME: 1. Q4-2019 - Ethics Allegations Report (Open Session) 10/1/2019 – 12/31/2019

EXECUTIVE SUMMARY: Human Resources and Internal Affairs investigate the majority of the matters referred through the internal Ethics Hotline, the California Whistleblower Hotline (CWH), directly to Human Resources and via our CMS. For the fourth quarter of 2019, there were 36 new allegations received, 15 did not require an investigation and were referred to our Manager Services Unit to address, and 10 required no action and were closed. Eleven allegations were referred to the Internal Investigations Unit to investigate. Of these 11 allegations, eight investigations are in progress, and three were closed as unsubstantiated. In addition, 21 investigations from prior quarters were closed.

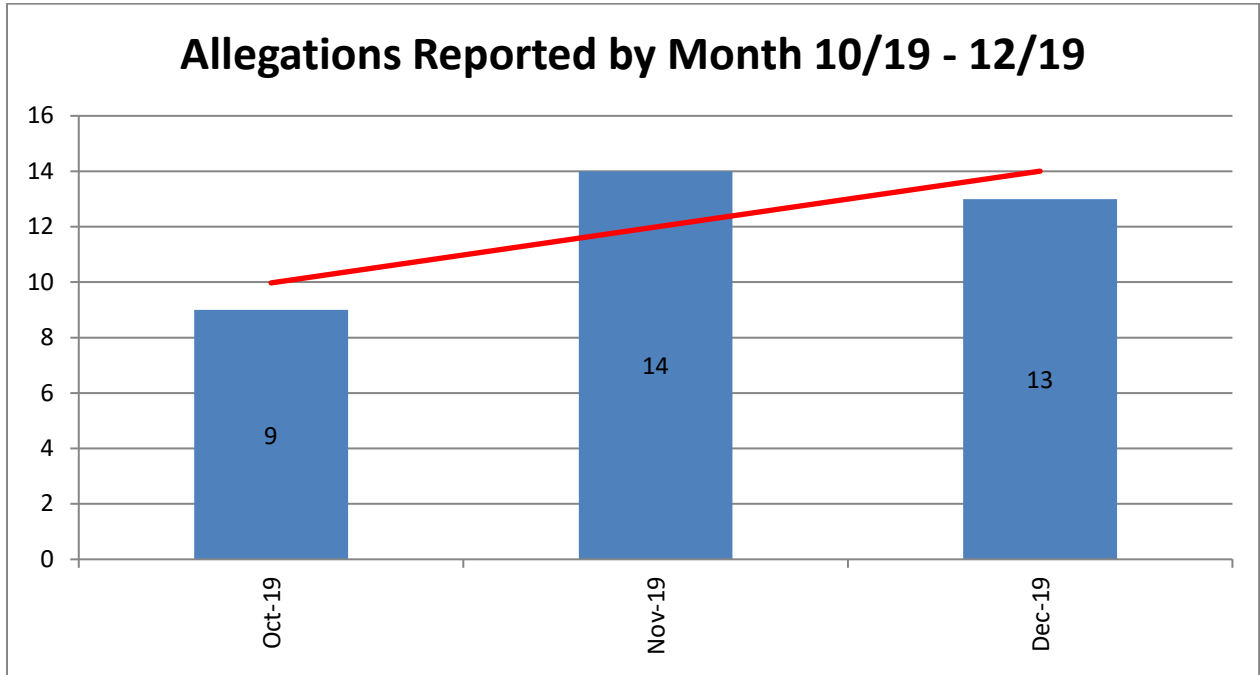
ANALYSIS: During the fourth quarter of 2019, there were 36 reports received from the following sources. The average number of allegations reported from all sources was 12 per month, which represents an increase from the prior quarter. The chart below shows the reports by source:

<u>Reporting Method</u>	<u>Q4 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	6	2
Direct Report	17	6
Ethics Hotline	13	4

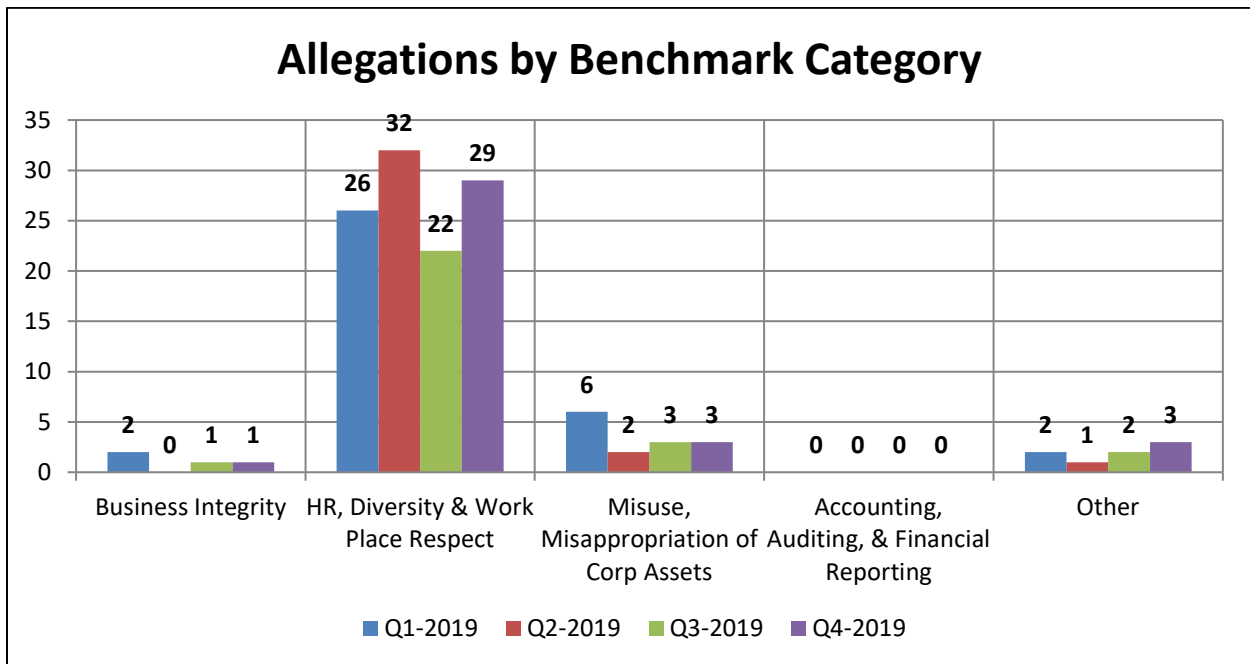
Of the 36 cases, 10 were EEO related cases, 17 were conduct related cases, and 9 were for other reasons (theft, misuse of time, vandalism, etc.).

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

Recommendations: As this is an informational item, there are no recommendations to be made at this time.



(Chart 1)



(Chart 2)

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