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Date: February 5, 2016

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:	<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 Board a summary of the 95 ethics allegations reported during the period October 1, 2015 through December 31, 2015.

SITUATION: State Fund receives reporting on ethics related issues from a number of different sources to include management referrals, referrals from our Privacy Office, and through our whistleblower and ethics hotlines. During the fourth quarter of 2015 there were 27 cases reported through NAVEX Global, 43 management referral, and 25 referrals from the Privacy Office.

PLAN: Human Resources will provide the State Fund Board of Directors with a quarterly report regarding the use and effectiveness of State Fund’s reporting hotlines and will include statistical information for the quarter.

ATTACHMENTS:

1. Q4-2015 - Ethics Allegations Report (Open Session) 10/1/2015 – 12/31/2015
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Type
4. Q4-2015 Completed Investigations

Open Agenda Item 5 – Attachment 1

ITEM NAME: 2015-Q4 Ethics Allegations Report (Open Session) 10/1/2015 – 12/31/2015

EXECUTIVE SUMMARY: Human Resources and Internal Affairs investigate the majority of the matters referred through the ethics hotline, California Whistleblower Hotline, management referrals, and Privacy Office. For the fourth quarter of 2015, there were 95 new allegations received and 53 investigations completed. From the 53 completed investigations, 8 resulted in the allegations being unsubstantiated, two were inconclusive, and 43 where the allegations were substantiated. Of the 43 substantiated allegations, 39 were referred to Manager Services for action and four involved an employee who separated or retired from State Fund.

ANALYSIS: From January 1, 2015 through December 31, 2015, the average number of allegations reported from all sources was 27 per month, 11 per month from the ethics hotline, eight per month from manager referrals, and eight per month referred from the Privacy Office.

During the fourth quarter of 2015, there were 95 reports received from the following sources:

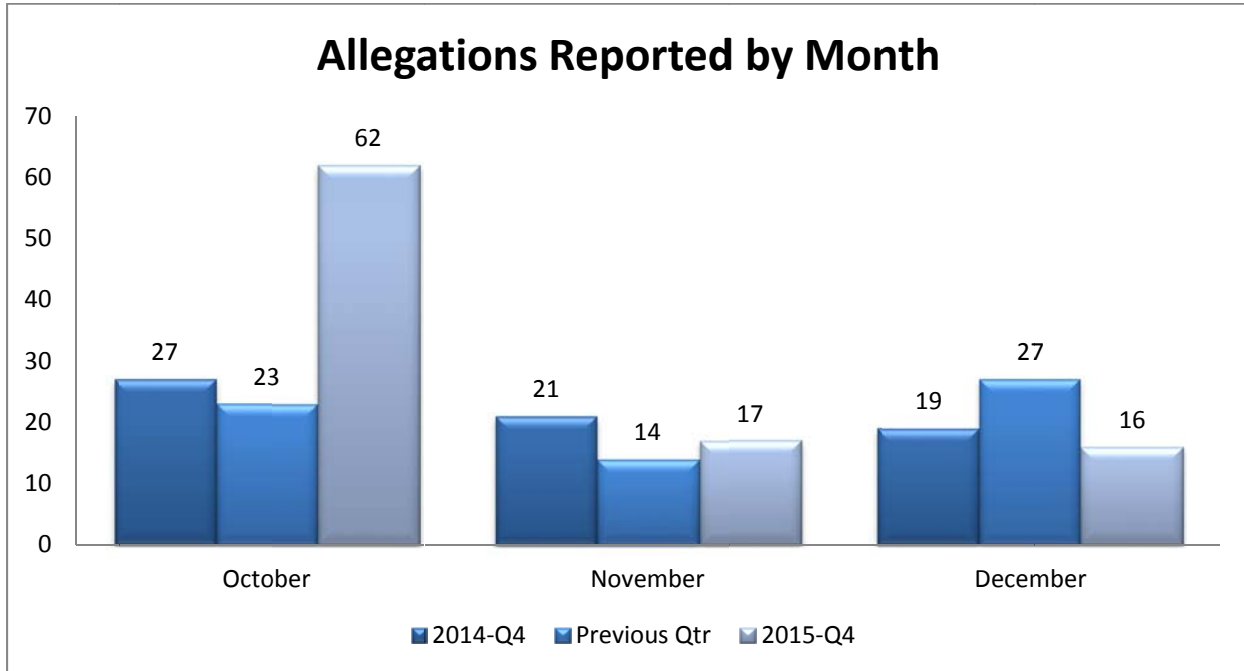
- Ethics Hotline – 27
- Management Referral – 43
- Privacy Office – 25

Suspected Privacy Breaches: Suspected data breaches and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to comprise the majority of the cases investigated and addressed by Human Resources. From January 1, 2015 through December 31, 2015 privacy related cases comprised 41%¹ of our overall caseload. During the fourth quarter of 2015 there were a total of 27 privacy breaches reported, 9 of which are currently under investigation. Of the remaining 18, one allegation was unsubstantiated, 17 were found to be in violation of the Privacy and Confidentiality Corporate Policy.

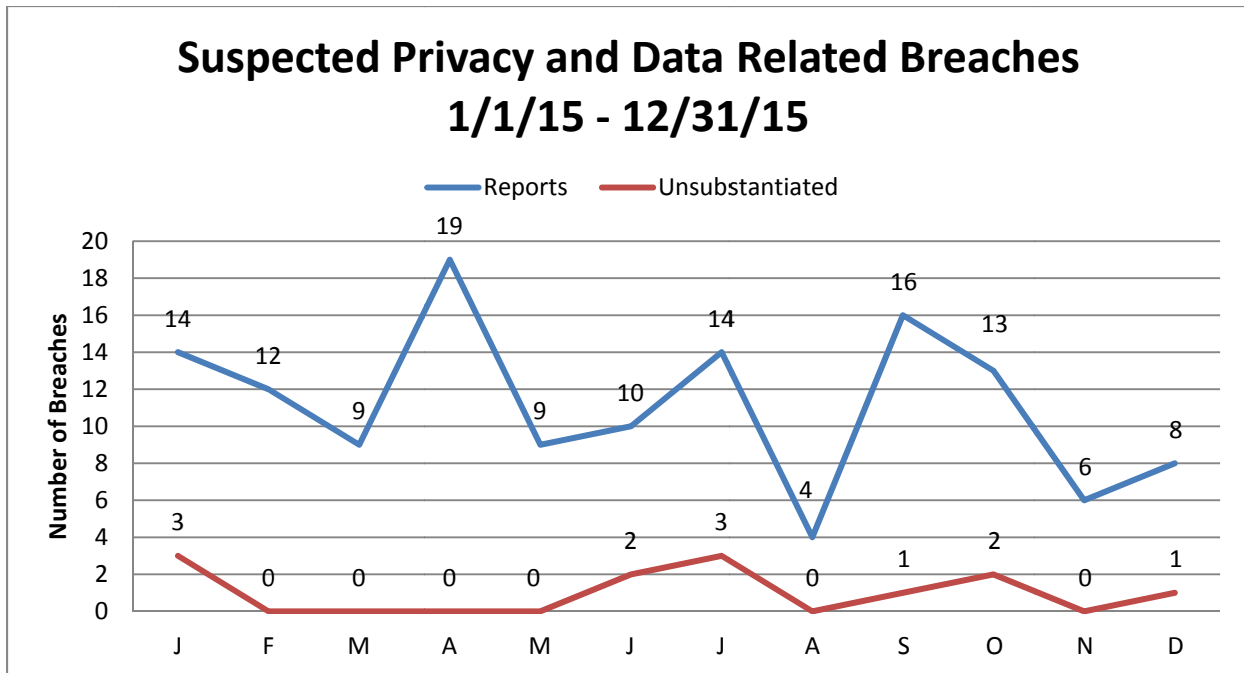
Non-Privacy Cases: The 68 non-privacy related cases reported during this quarter included 23 cases involving misuse or abuse of time or resources, eight cases involving misconduct or inappropriate behavior, six cases involving EEO related issues, and 31 cases from various other categories, such as conflict of interest, favoritism, hiring practices, Business and Legal practices and performance.

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, and to seek out opportunities to raise awareness and educate the State Fund workforce of their responsibility to prevent the improper disclosure or use of private/confidential information. 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.

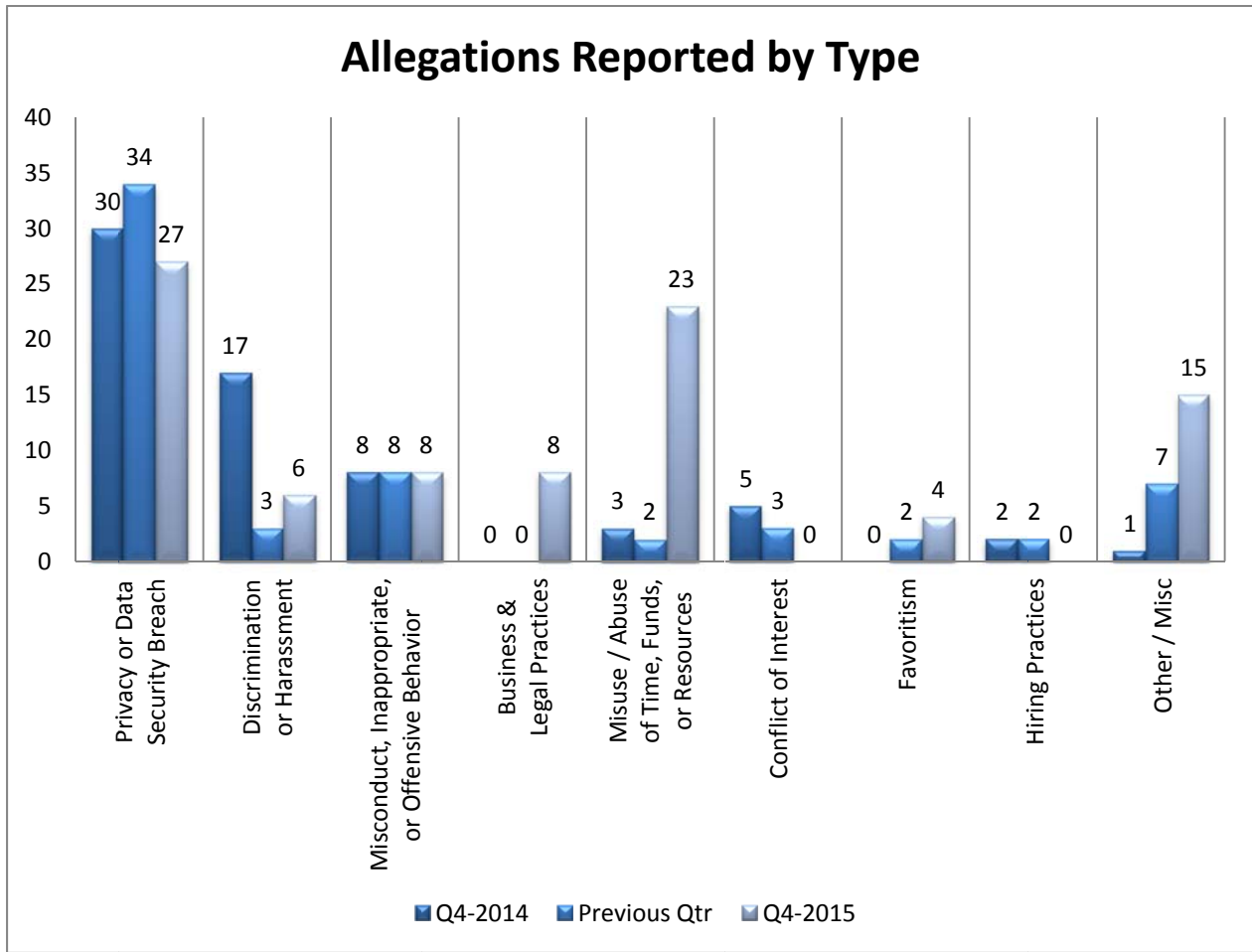
¹ 134 of the 324 allegations reported in 2015 have been suspected privacy or data breaches.



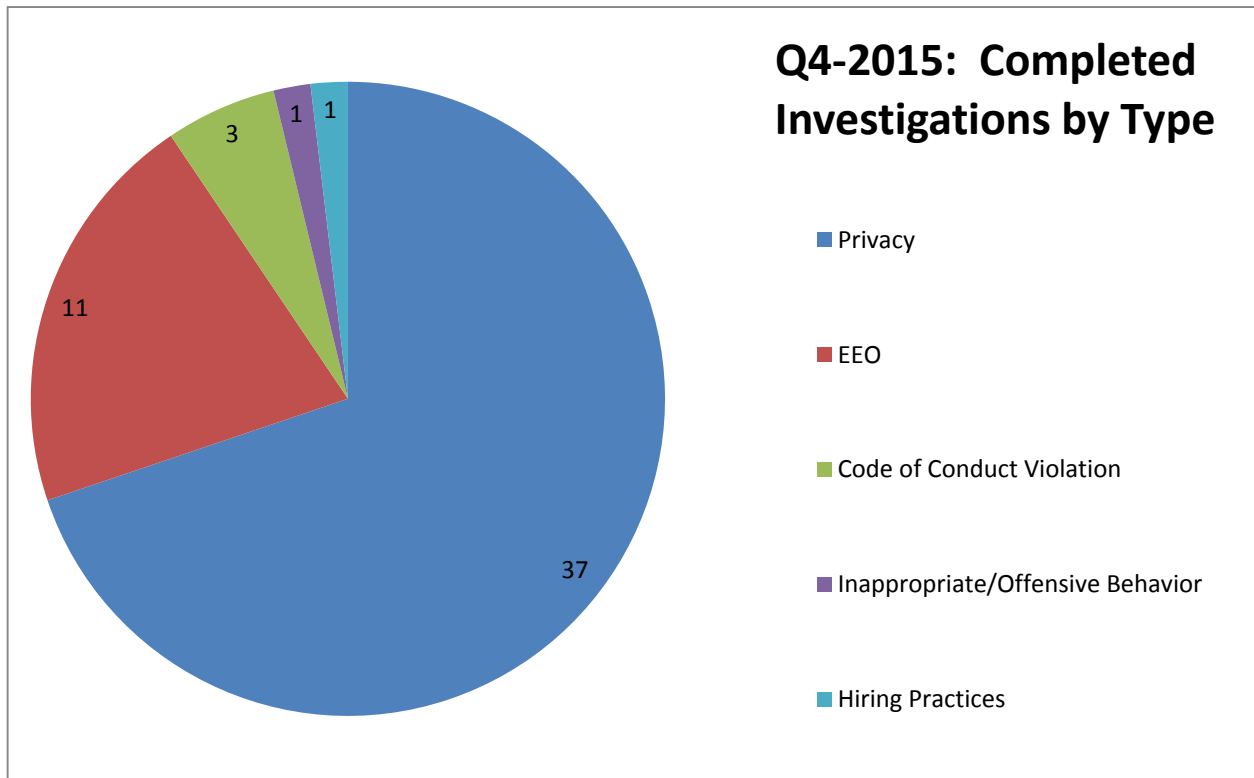
(Chart 1)



(Chart 2)



(Chart 3)



(Chart 4)

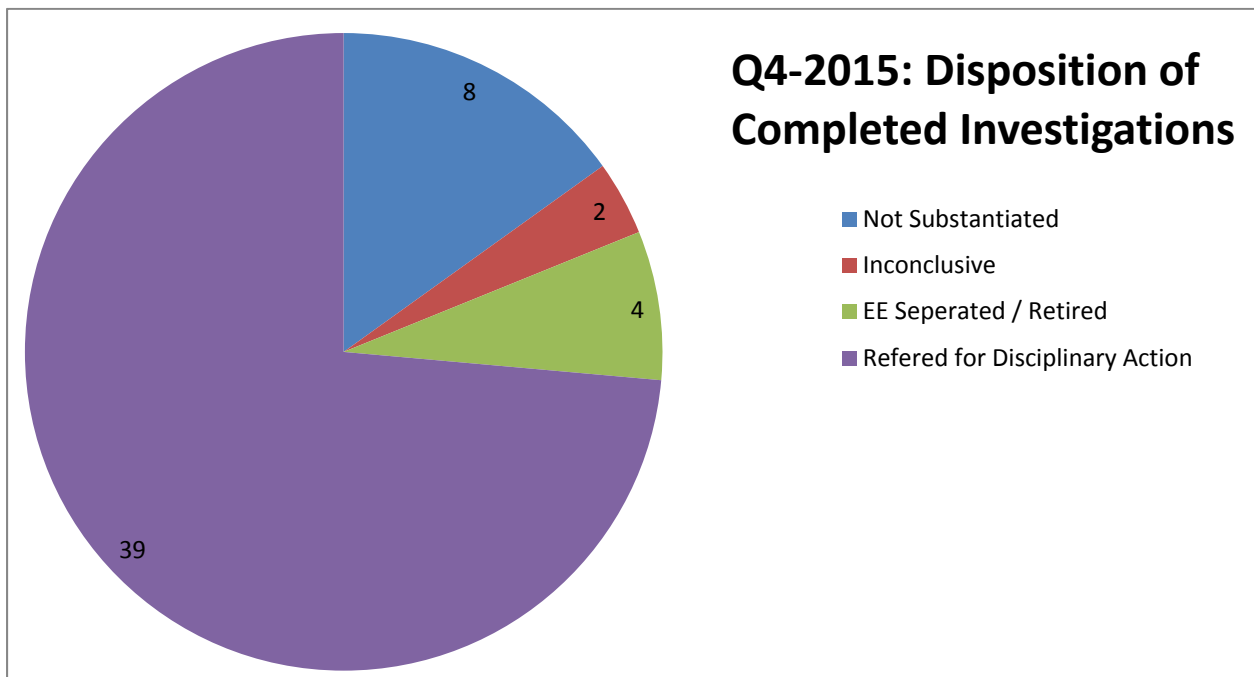


Chart (5)