



333 Bush Street
 San Francisco, CA 94104
 (415) 263-5400
 www.statefundca.com

Date: February 9, 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: | <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 140 ethics allegations reported during the period October 1, 2017 through December 31, 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. Q4-2017 - Ethics Allegations Report (Open Session) 10/1/2017 – 12/31/2017
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q4-2017 Completed Investigations
5. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q4-2017 - Ethics Allegations Report (Open Session) 10/1/2017 – 12/31/2017

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 fourth quarter of 2017, there were 140 new allegations received, 106 did not require an investigation and were referred to our Manager Services to address and 34 were referred to the Internal Investigations Unit to investigate. 19 of these investigations are still in progress and 15 investigations have been completed or closed with other resolution. The remaining 12 allegations were substantiated and referred to Manager Services for action.

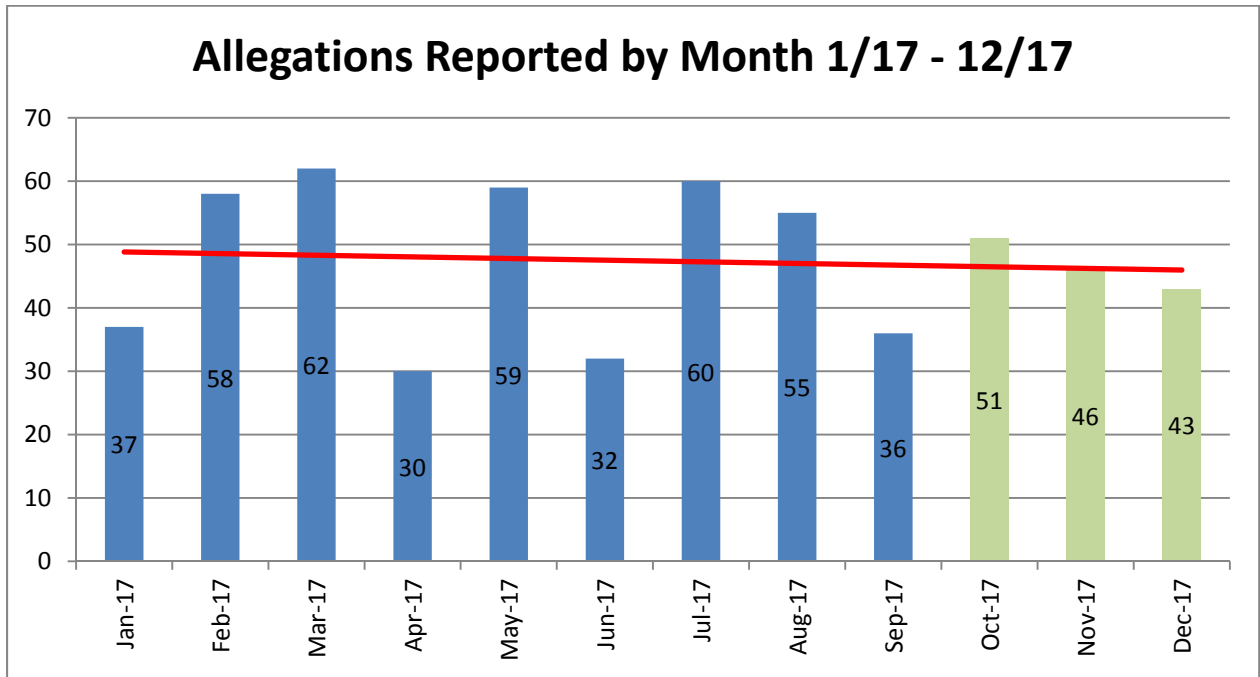
ANALYSIS: During the fourth quarter of 2017, there were 140 reports received from the following sources. The average number of allegations reported from all sources was 47 per month:

| <u>Reporting Method</u> | <u>Q4 Reports</u> | <u>Avg Rpts/Mo</u> |
|-------------------------|-------------------|--------------------|
| CMS | 34 | ~11 |
| Direct Report | 72 | ~24 |
| TPH | 4 | ~1 |
| Privacy Office | 23 | ~8 |
| Other | 7 | ~2 |

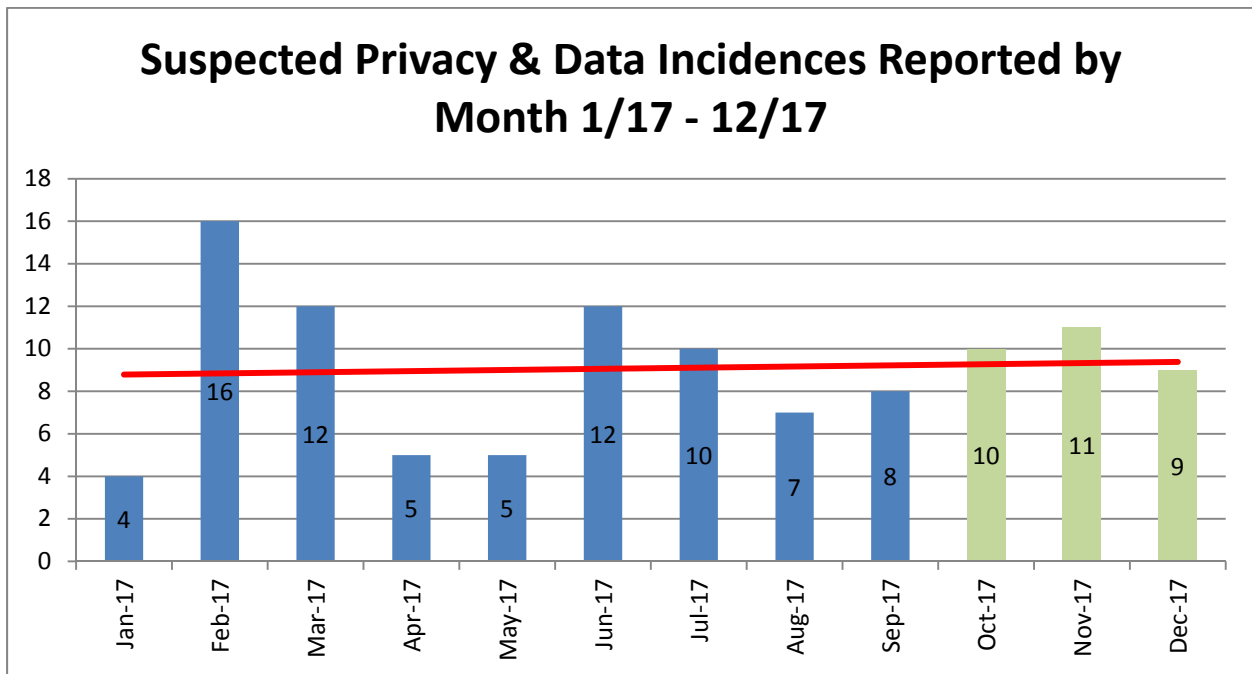
Suspected Privacy Instances: Suspected data incidences and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems represent about 21% of reports received. During the fourth quarter of 2017 there were a total of 30 suspected privacy incidences reported, two of which are still under investigation. Of the remaining 28, all were found to be violations of the Privacy and Confidentiality Corporate Policy.

Non-Privacy Cases: During the fourth quarter of 2017 there were a total of 110 non-privacy related cases reported; 32 were attendance or time theft cases, 52 were conduct related cases, 16 were EEO related cases, and 10 cases were from various other categories.

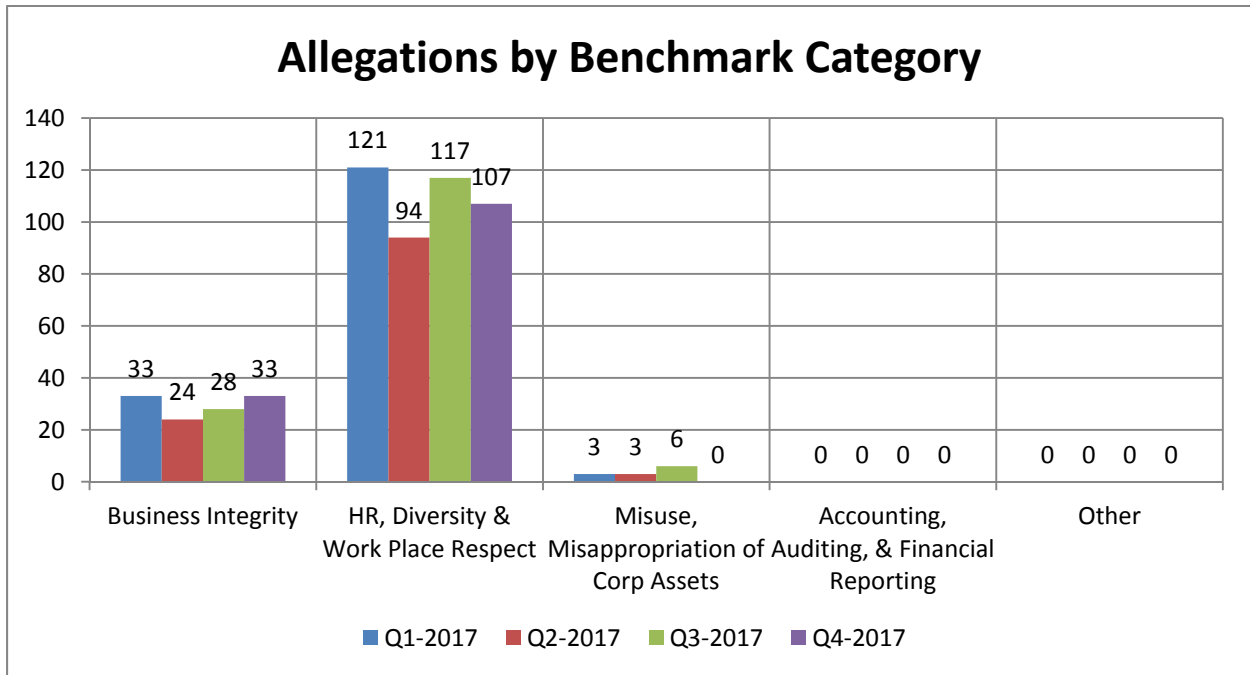
Recommendations: Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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

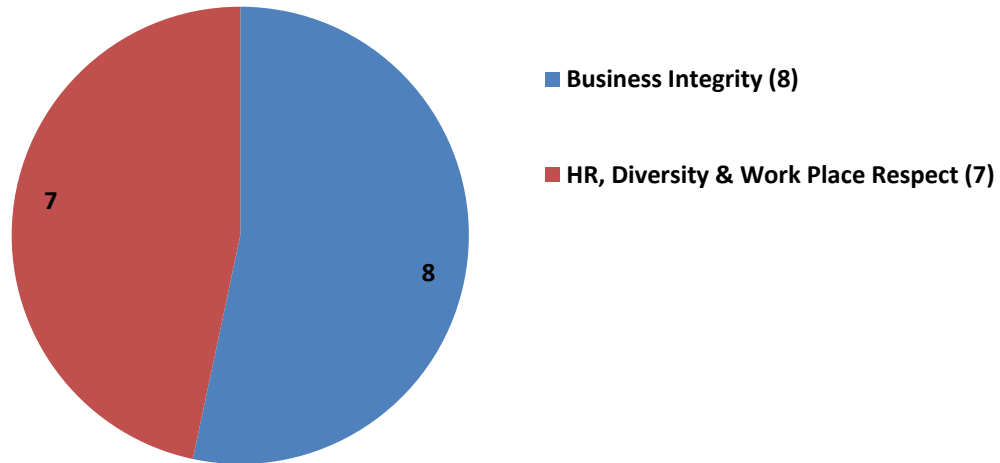


(Chart 2)



(Chart 3)

Q4 - 2017: Completed Investigations by Types



(Chart 4)

Q4 - 2017: Disposition of Completed Investigations

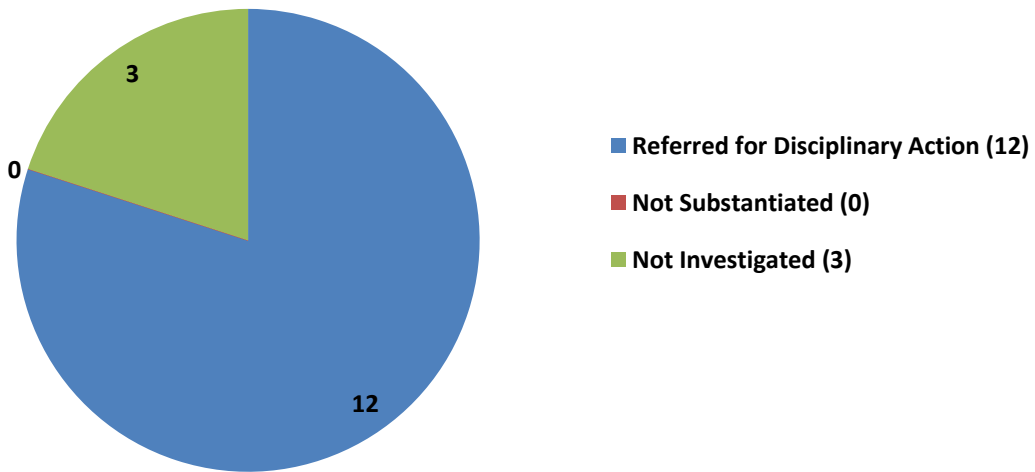


Chart (5)

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.