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DATE: February 17, 2017

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 131 ethics allegations reported during the period October 1, 2016 through December 31, 2016.

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 Board of Directors with a quarterly report regarding the use and effectiveness of State Fund’s reporting methods. This report will include statistical information for the quarter. Future reports will also include historical trend analysis and recommendations to improve future performance.

ATTACHMENTS:

1. Q4-2016 - Ethics Allegations Report (Open Session) 10/1/2016 – 12/31/2016
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q4-2016 Completed Investigations
5. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q4-2016 - Ethics Allegations Report (Open Session) 10/1/2016 – 12/31/2016

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 2016, there were 131 new allegations received and 48 investigations completed. From the 48 completed investigations, 18 resulted in the allegations being unsubstantiated and two were inconclusive. The remaining 28 allegations were substantiated and referred to Manager Services for possible disciplinary action.

ANALYSIS: During the fourth quarter of 2016, there were 131 reports received from the following sources. The average number of allegations reported from all sources was 44 per month:

- Ethics – 3 (~1/mo)
- Direct Report – 71 (~24/mo)
- CMS – 47 (~ 16/mo)
- Privacy Office – 9 (~3/mo)
- Whistleblower Complaint – 1 (~<1/mo)

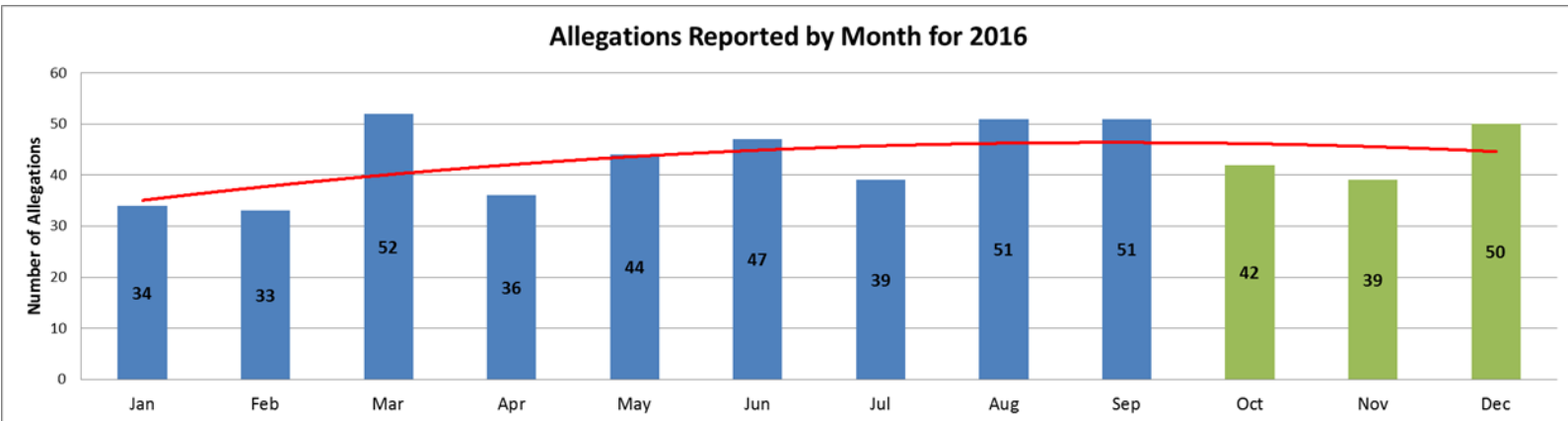
Suspected Privacy Breaches: Suspected data breaches and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to represent a significant number of cases overall. However, with our continuing efforts on information security, privacy related cases no longer represent the majority of cases investigated and addressed by Human Resources.

During the fourth quarter of 2016 there were a total of nine privacy breaches reported, two of which are currently under investigation. Of the remaining seven, two allegations were unsubstantiated and the remaining five were found to be in violation of the Privacy and Confidentiality Corporate Policy.

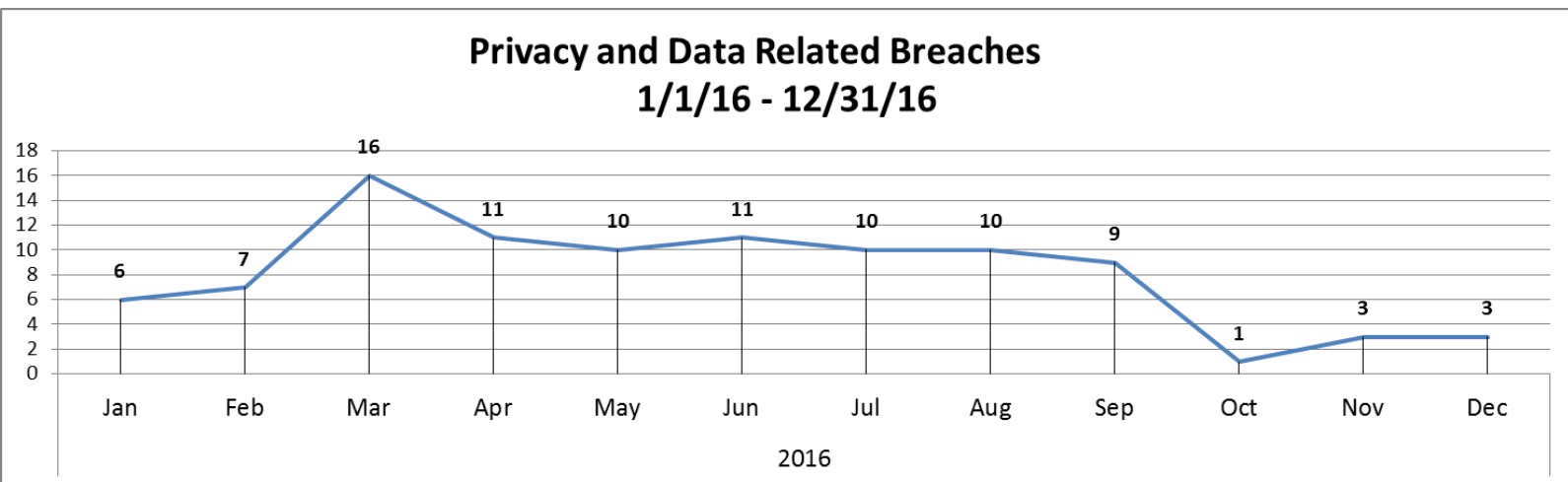
Non-Privacy Cases: The 122 non-privacy related cases reported during this quarter included, 43 Attendance / Time theft cases, 51 conduct related cases, 21 EEO related cases and seven cases from various other categories.

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

Open Agenda Item 5 – Attachment 2

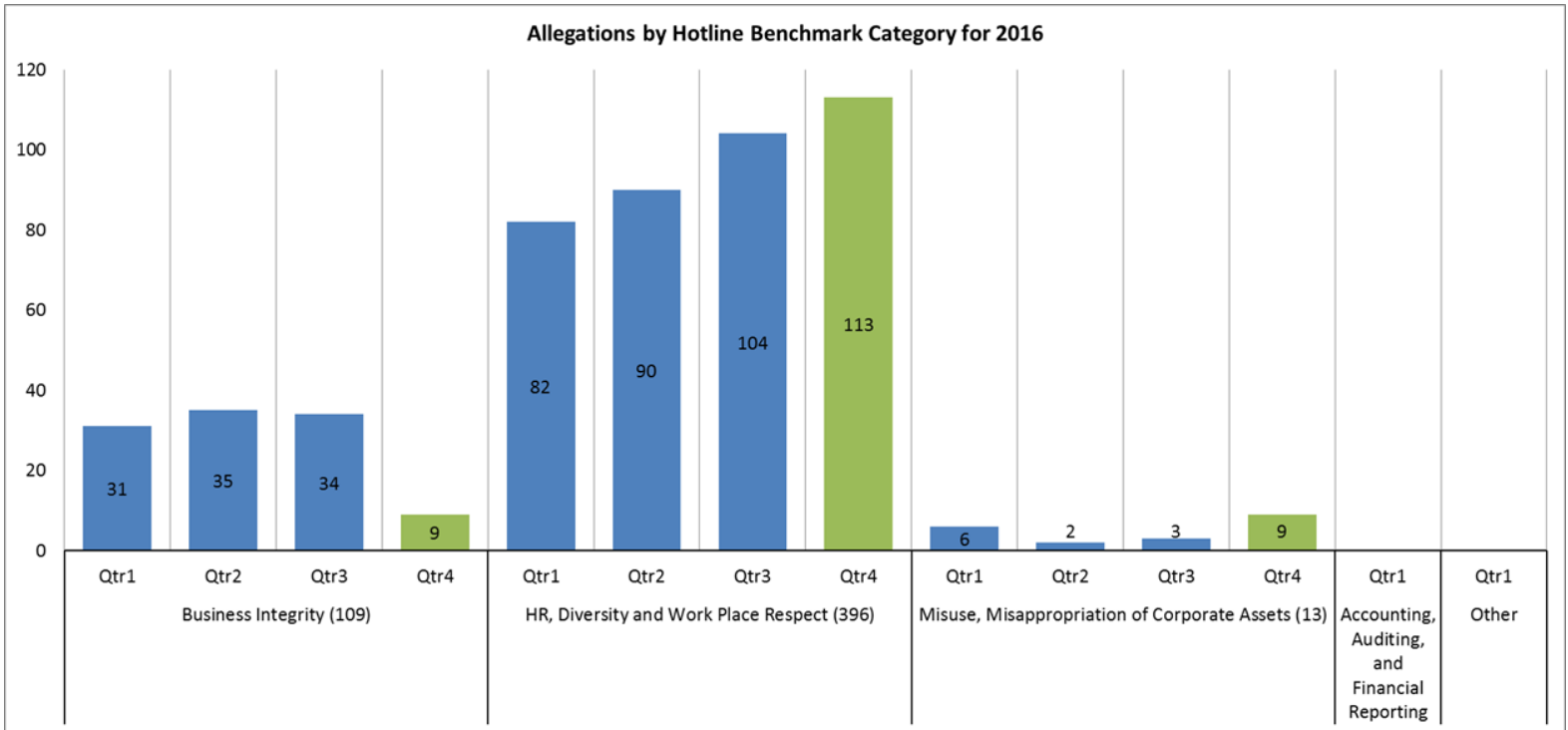


(Chart 1)

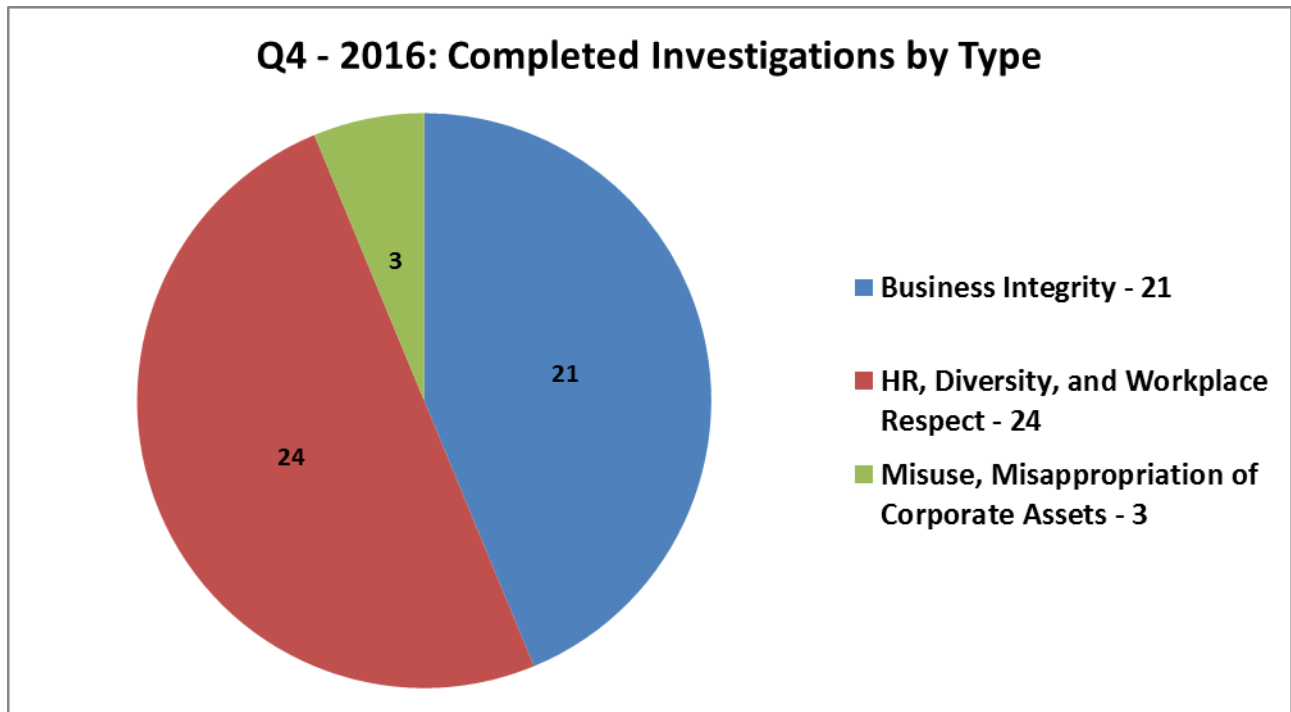


(Chart 2)

Open Agenda Item 5 – Attachment 3



(Chart 3)



(Chart 4)

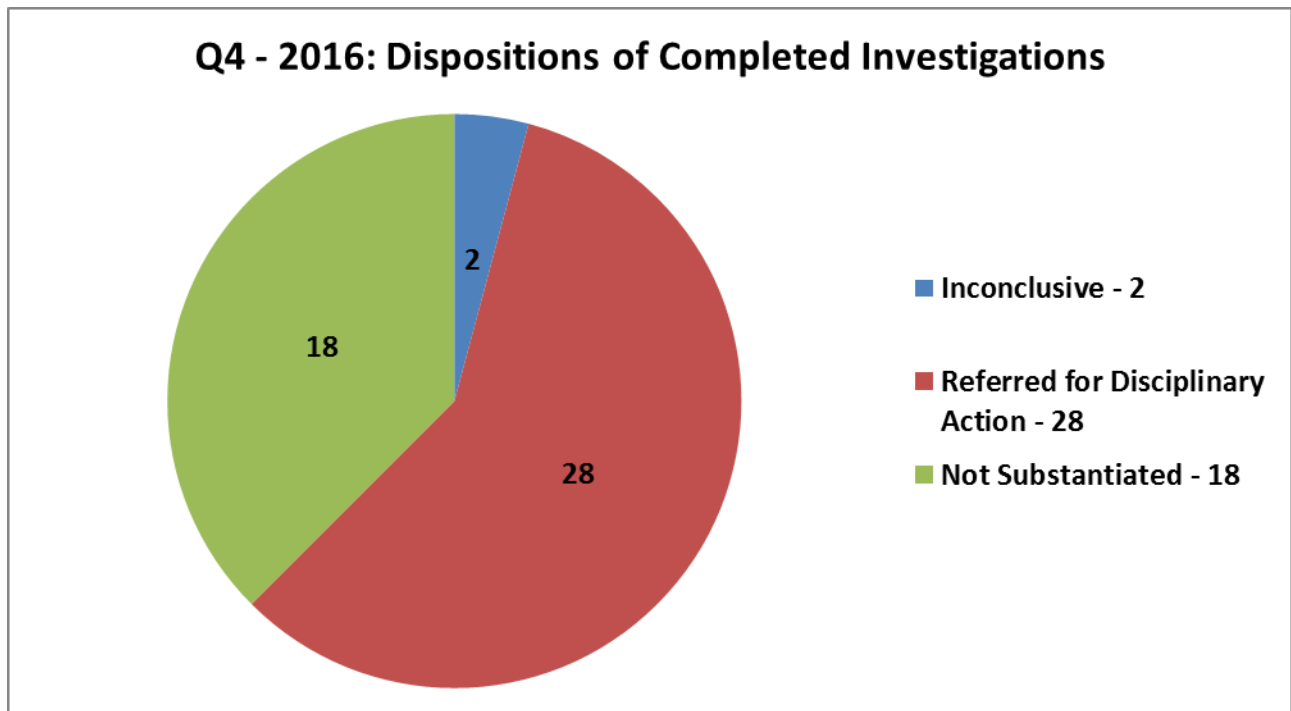


Chart (5)

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.