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Date: May 5, 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 157 ethics allegations reported during the period January 1, 2017 through March 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. Q1-2017 - Ethics Allegations Report (Open Session) 1/1/2017 – 3/31/2017
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q1-2017 Completed Investigations
5. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q1-2017 - Ethics Allegations Report (Open Session) 1/1/2017 – 3/31/2017

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 first quarter of 2017, there were 157 new allegations received, 61 investigations completed. From the 61 completed investigations, 22 were unsubstantiated. The remaining 39 allegations were substantiated and referred to Manager Services for action.

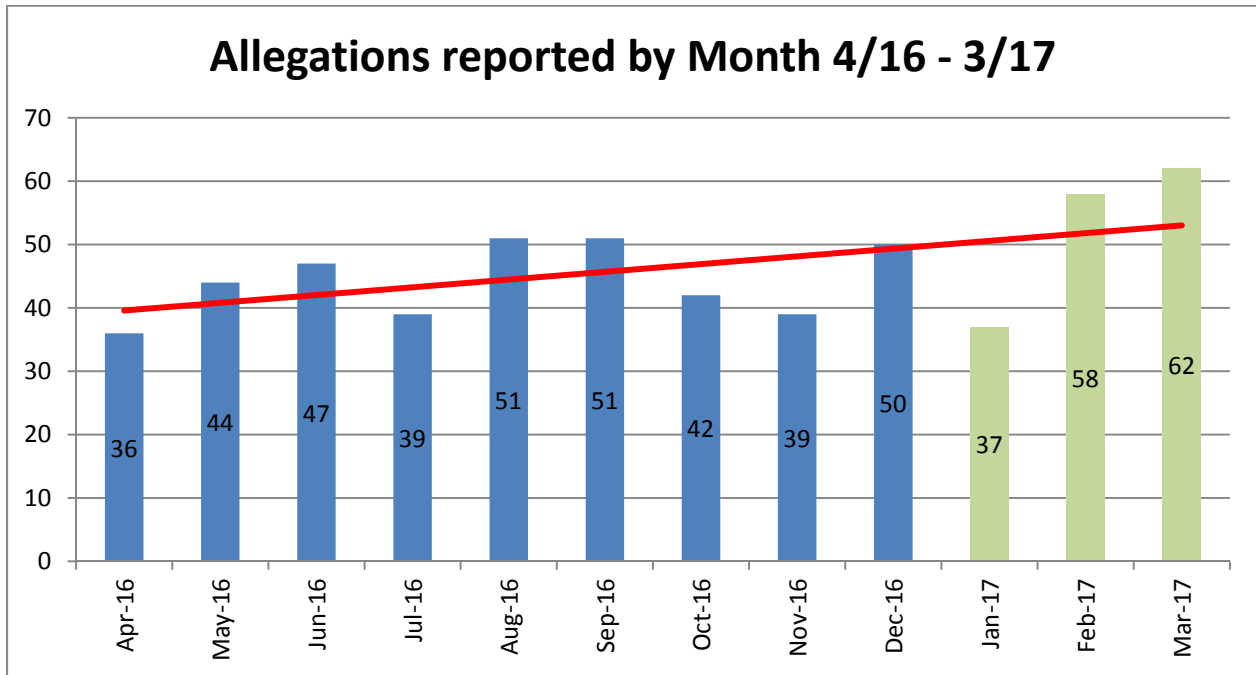
ANALYSIS: During the first quarter of 2017, there were 157 reports received from the following sources. The average number of allegations reported from all sources was 52 per month:

<u>Reporting Method</u>	<u>Q1 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	45	~15
Direct Report	73	~24
TPH	8	~3
Privacy Office	29	~10
Other	2	~<1

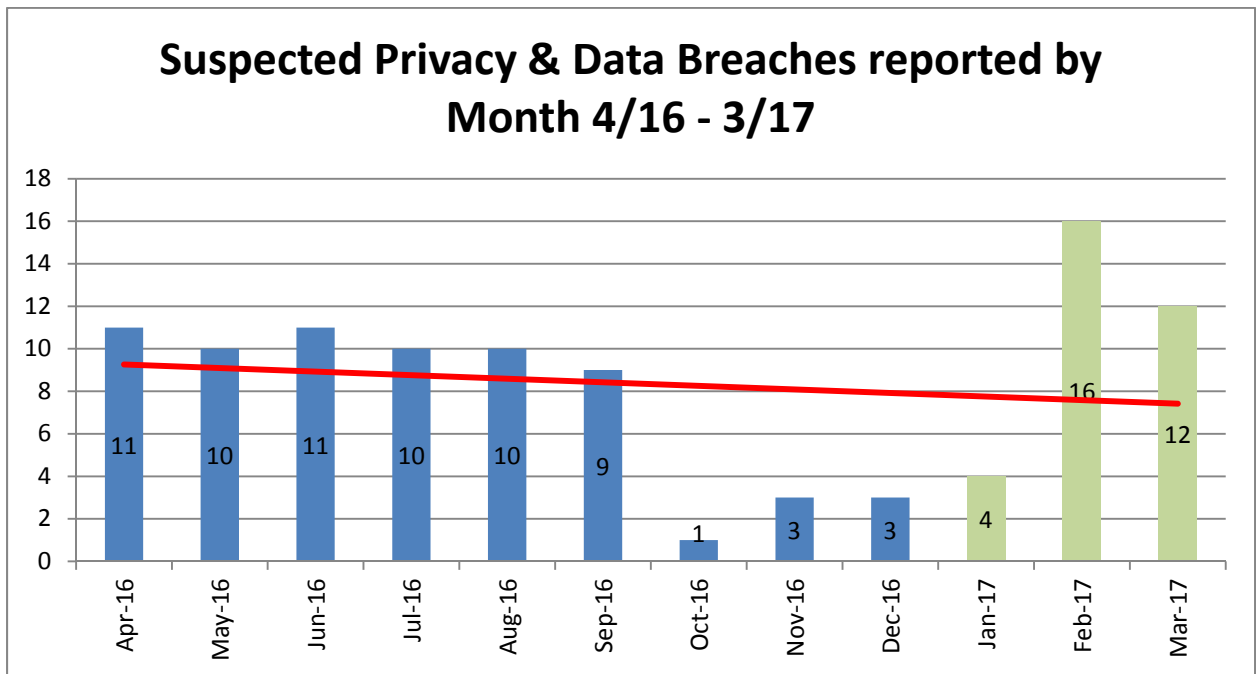
Suspected Privacy Breaches: Suspected data breaches and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to represent about 20% of reports received. During the first quarter of 2017 there were a total of 32 suspected privacy breaches reported, two of which are still under investigation. Of the remaining 30, five of the allegations were unsubstantiated and 25 were found to be violations of the Privacy and Confidentiality Corporate Policy.

Non-Privacy Cases: During the first quarter of 2017 there were a total of 125 non-privacy related cases reported; 61 were attendance or time theft cases, 43 were conduct related cases, 15 were EEO related cases, and six cases were from various other categories.

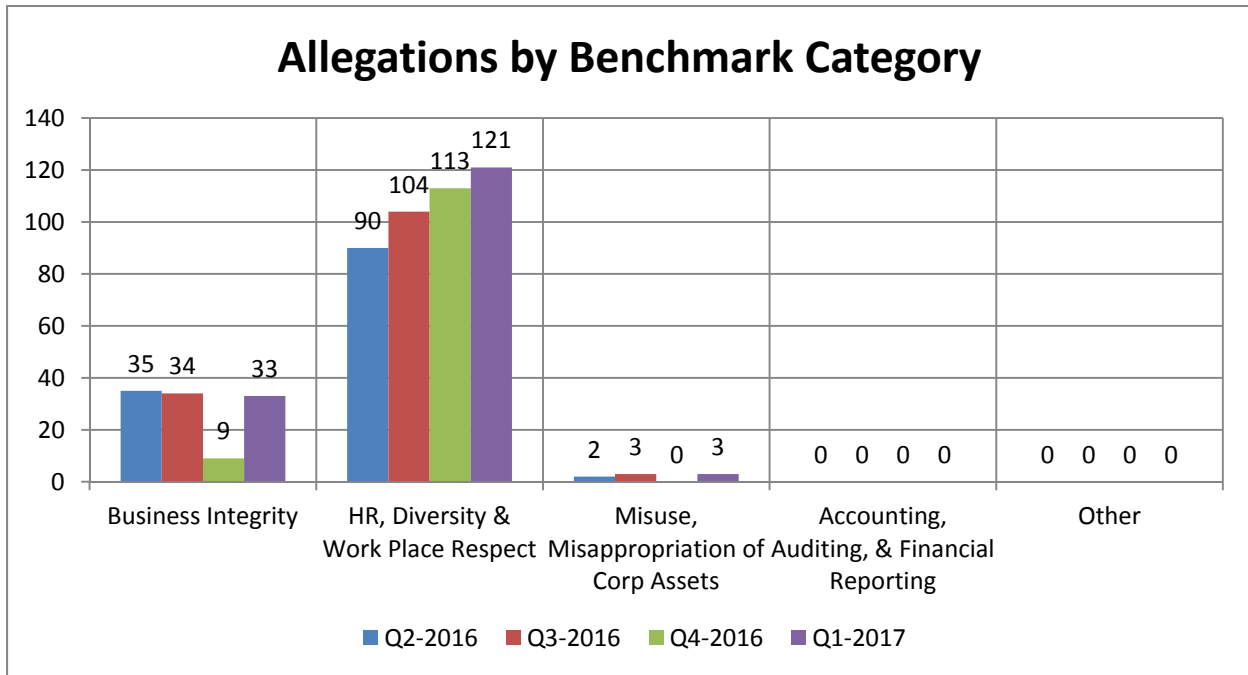
Recommendations: Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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



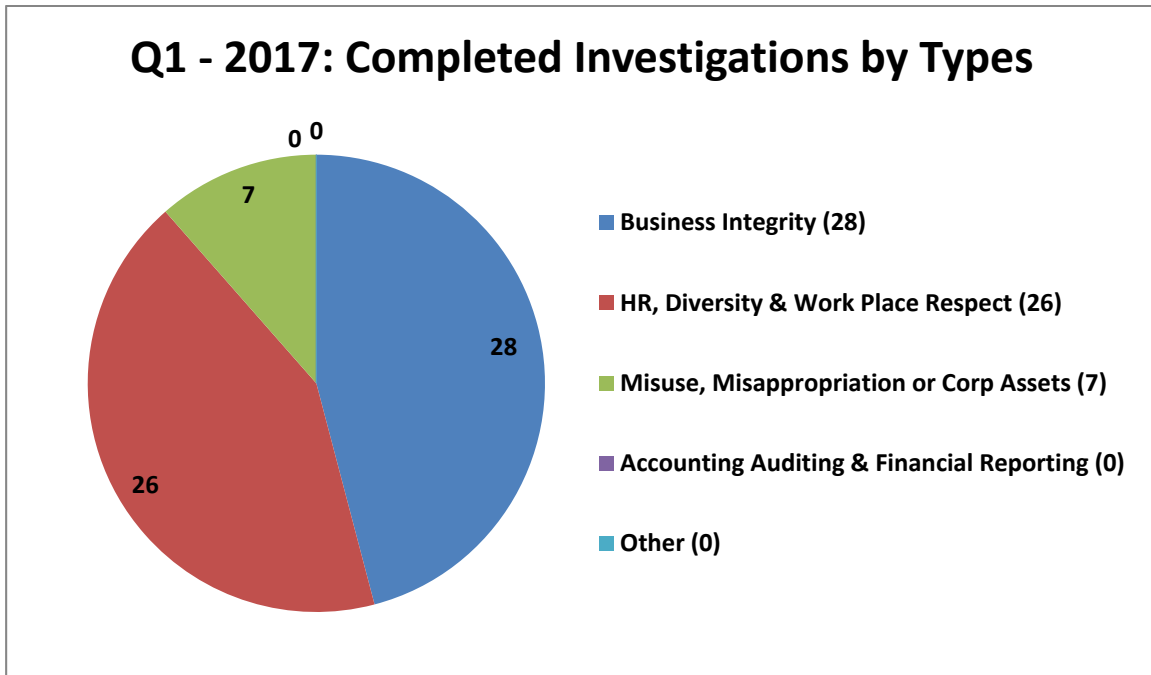
(Chart 1)



(Chart 2)



(Chart 3)



(Chart 4)

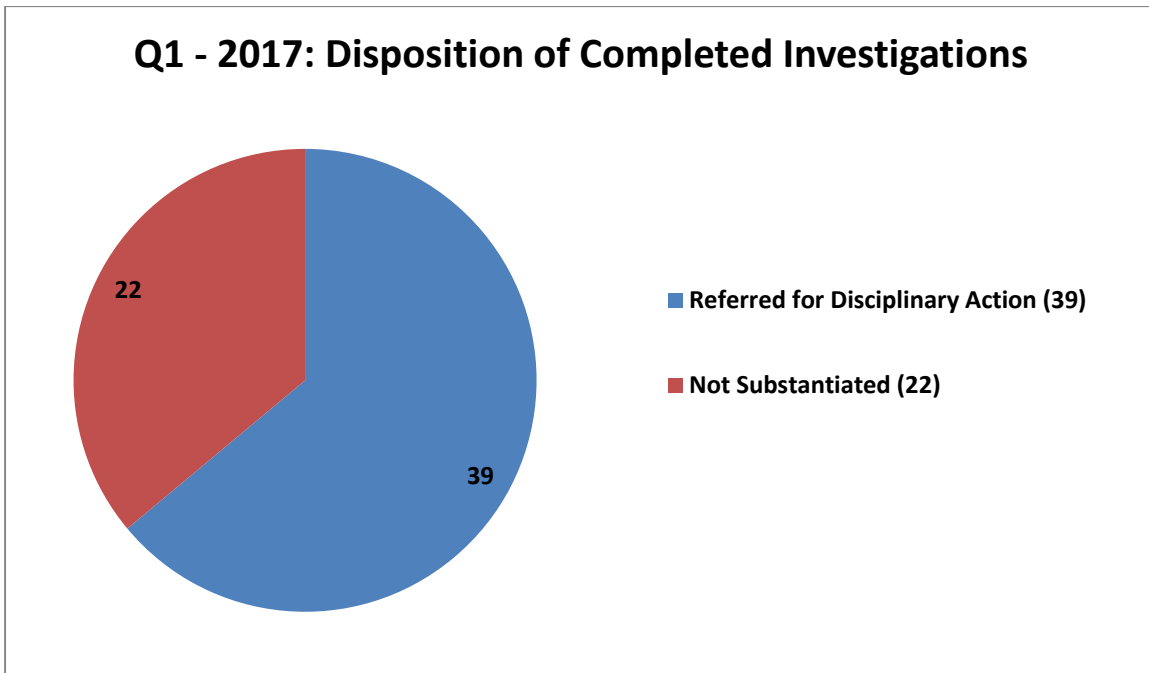


Chart (5)

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.