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Date: May 13, 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 120 ethics allegations reported during the period January 1, 2016 through March 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. During the first quarter of 2016 there were 36 cases reported through NAVEX Global, 21 of which were referred to our Privacy Office and the remaining 15 were referred to Human Resources, some of which were previously reported through another method.

Unlike previous reports to the Board, this quarter we have included reports originating through our CMS which can be received via online or telephone submissions.

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. Q1-2016 - Ethics Allegations Report (Open Session) 1/1/2016 – 3/31/2016
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Type
4. Q1-2016 Completed Investigations

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q1-2016 - Ethics Allegations Report (Open Session) 1/1/2016 – 3/31/2016

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 first quarter of 2016, there were 120 new allegations received and 57 investigations completed. From the 57 completed investigations, 21 resulted in the allegations being unsubstantiated, one was inconclusive. The remaining 35 allegations were substantiated and referred to Manager Services for possible disciplinary action.

ANALYSIS: During the first quarter of 2016, there were 120 reports received from the following sources. The average number of allegations reported from all sources was 40 per month:

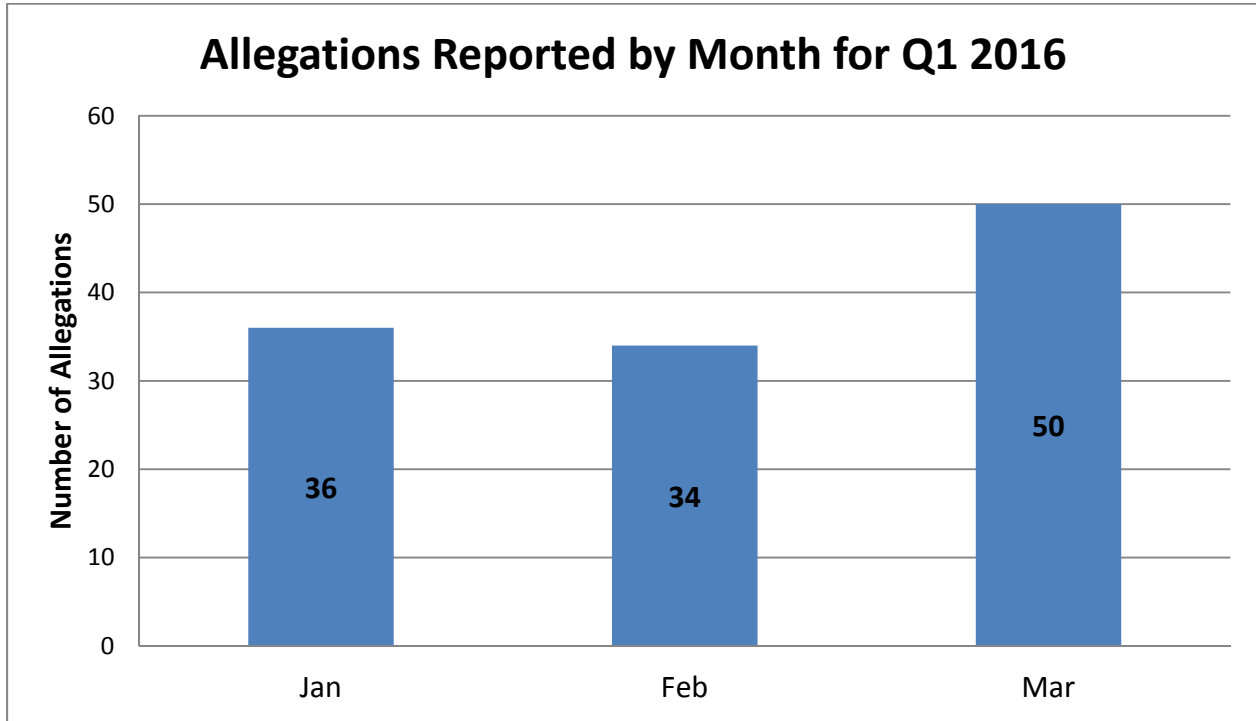
- Ethics – 6 (~2/mo)
- Direct Report – 35 (~12/mo)
- CMS – 52 (~ 17/mo)
- Privacy Office – 27 (~9/mo)

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. With the inclusion of CMS reporting and the addition of performance cases, coupled with the continued emphasis on information security, privacy related cases no longer represent the majority of cases investigated and addressed by Human Resources and has fallen to third behind performance and EEO related cases.

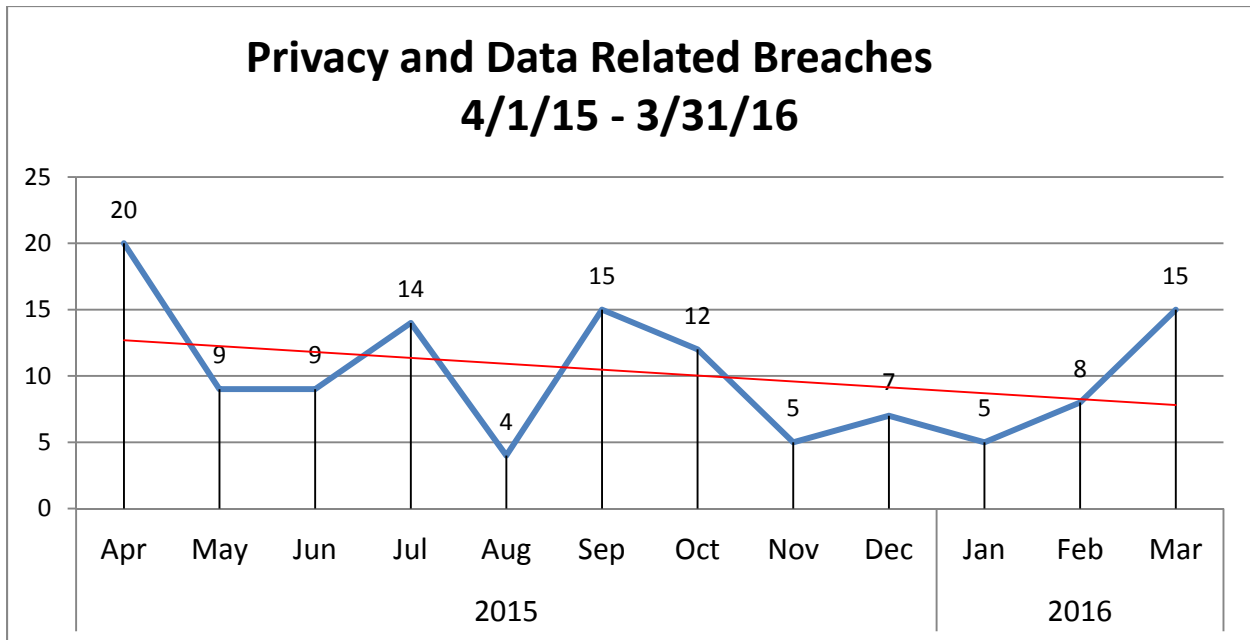
During the first quarter of 2016 there were a total of 29 privacy breaches reported, eight of which are currently under investigation. Of the remaining 21, one allegation was unsubstantiated and the remaining 20 were found to be in violation of the Privacy and Confidentiality Corporate Policy.

Non-Privacy Cases: The 91 non-privacy related cases reported during this quarter included 29 EEO related cases, 28 conduct related cases, 19 attendance/ time theft related cases and 15 cases from various other categories, such as conflict of interest, favoritism, hiring practices, Business and Legal practices, and Workplace Violence.

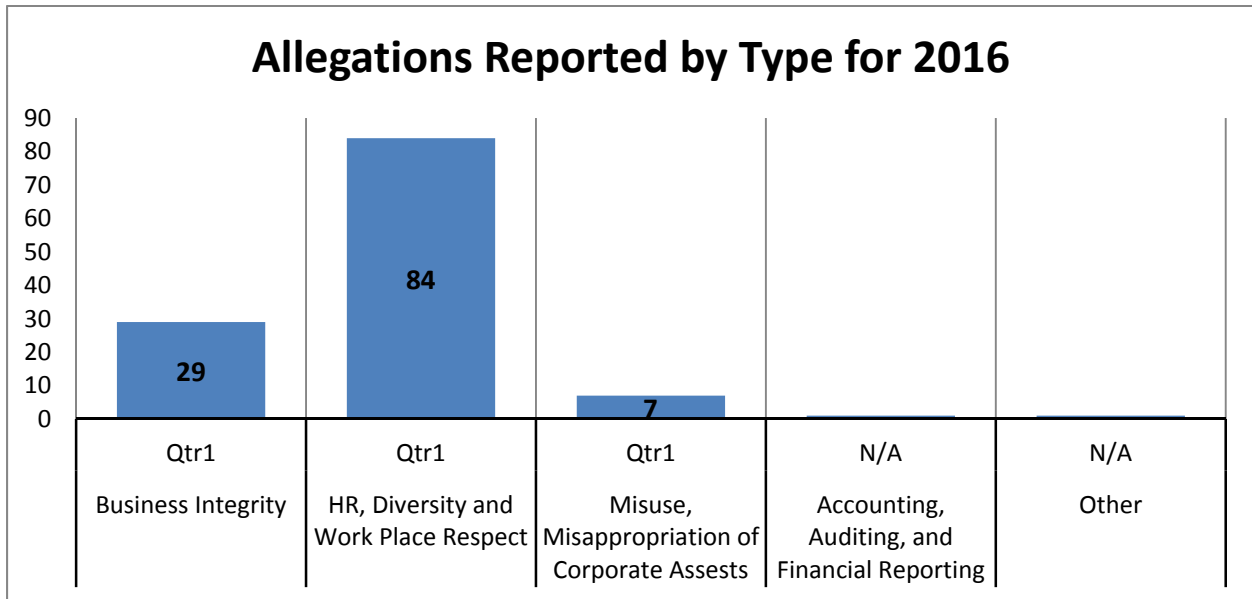
Recommendations: Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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

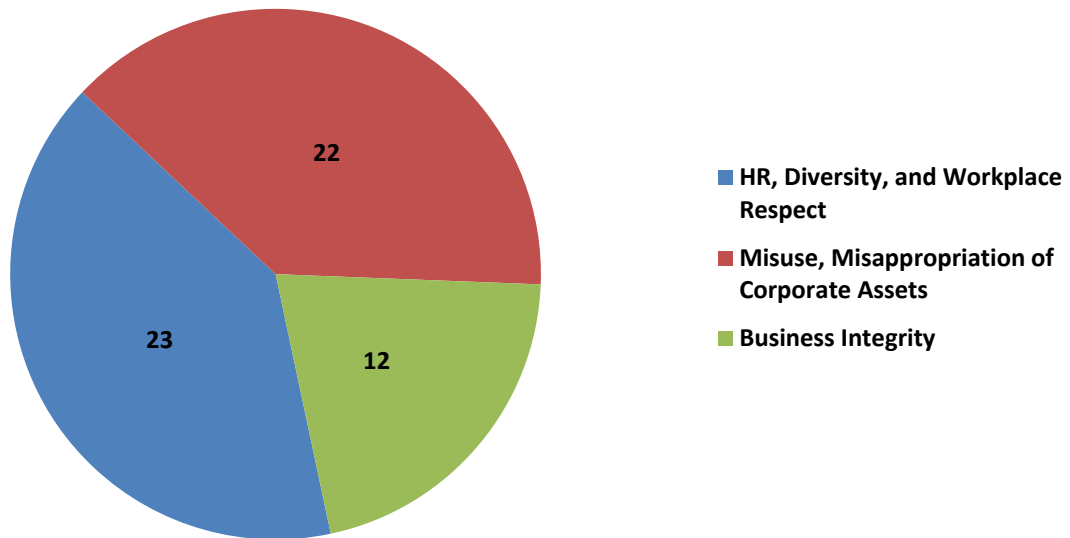


(Chart 2)



(Chart 3)

Q1 - 2016: Completed Investigations by Type



(Chart 4)

Q1 - 2016: Disposition of Completed Investigations

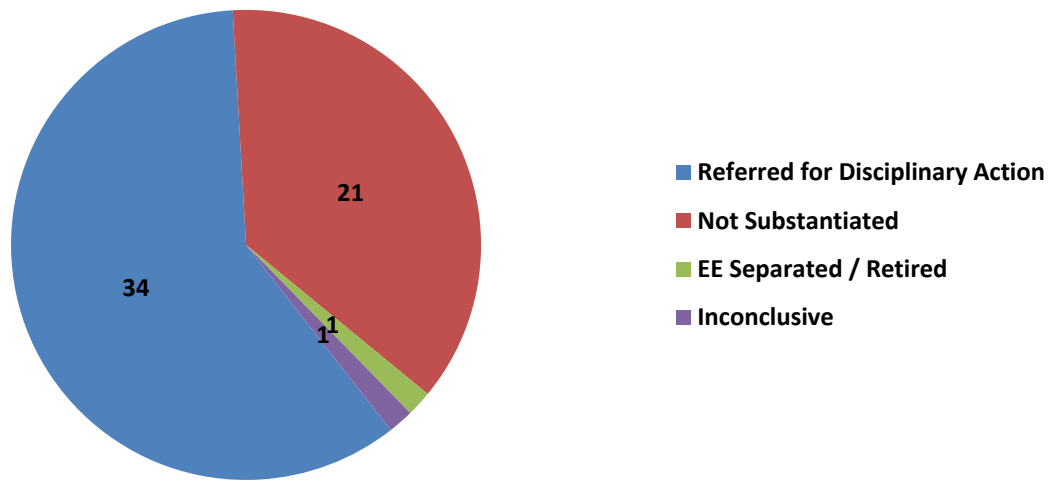


Chart (5)