



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

Date: July 15, 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 114 ethics allegations reported during the period April 1st, 2016 through June 30, 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. Q2-2016 - Ethics Allegations Report (Open Session) 4/1/2016 – 6/30/2016
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Type
4. Q2-2016 Completed Investigations
5. Benchmark category definitions

Open Agenda Item 5 – Attachment 1

ITEM NAME: 1. Q2-2016 - Ethics Allegations Report (Open Session) 4/1/2016 – 6/30/2016

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 second quarter of 2016, there were 114 new allegations received and 82 investigations completed. From the 82 completed investigations, 29 resulted in the allegations being unsubstantiated, one included an employee who separated or retired, and two investigations were inconclusive. The remaining 50 allegations were substantiated and referred to Manager Services for possible disciplinary action.

ANALYSIS: During the second quarter of 2016, there were 114 reports received from the following sources. The average number of allegations reported from all sources was 38 per month:

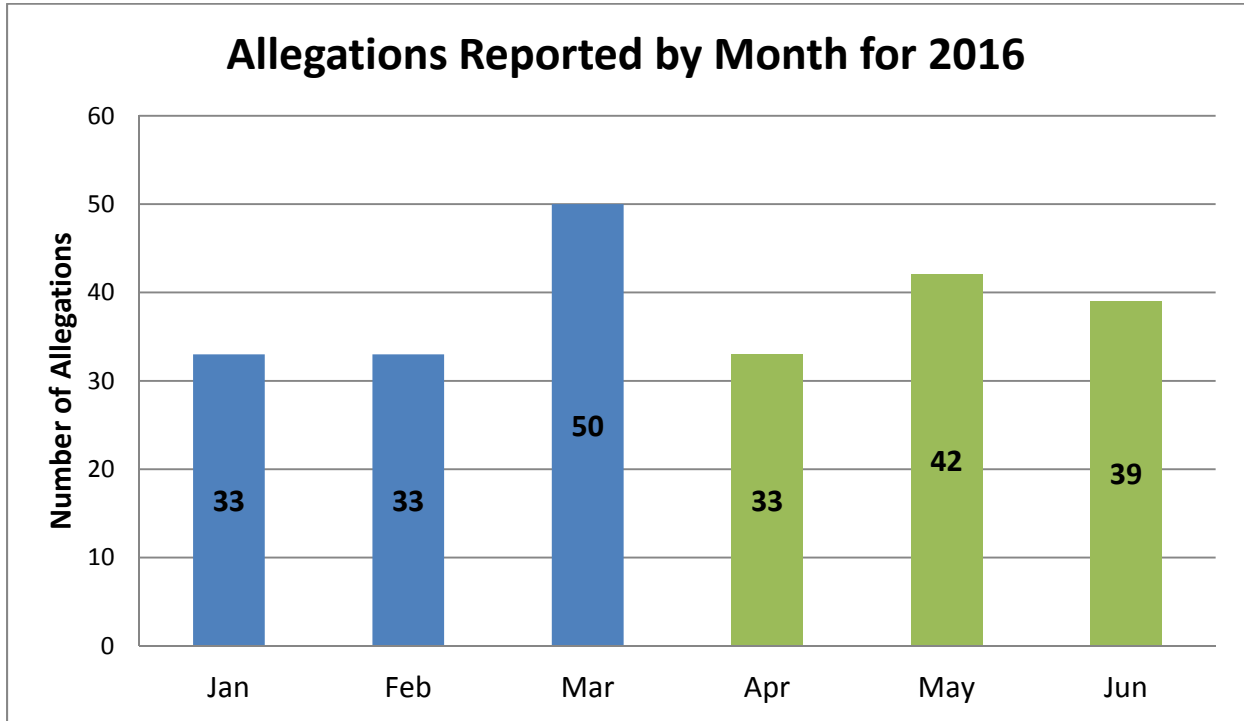
- Ethics – 5 (~2/mo)
- Direct Report – 21 (~7/mo)
- CMS – 59 (~ 20/mo)
- Privacy Office – 29 (~10/mo)

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.

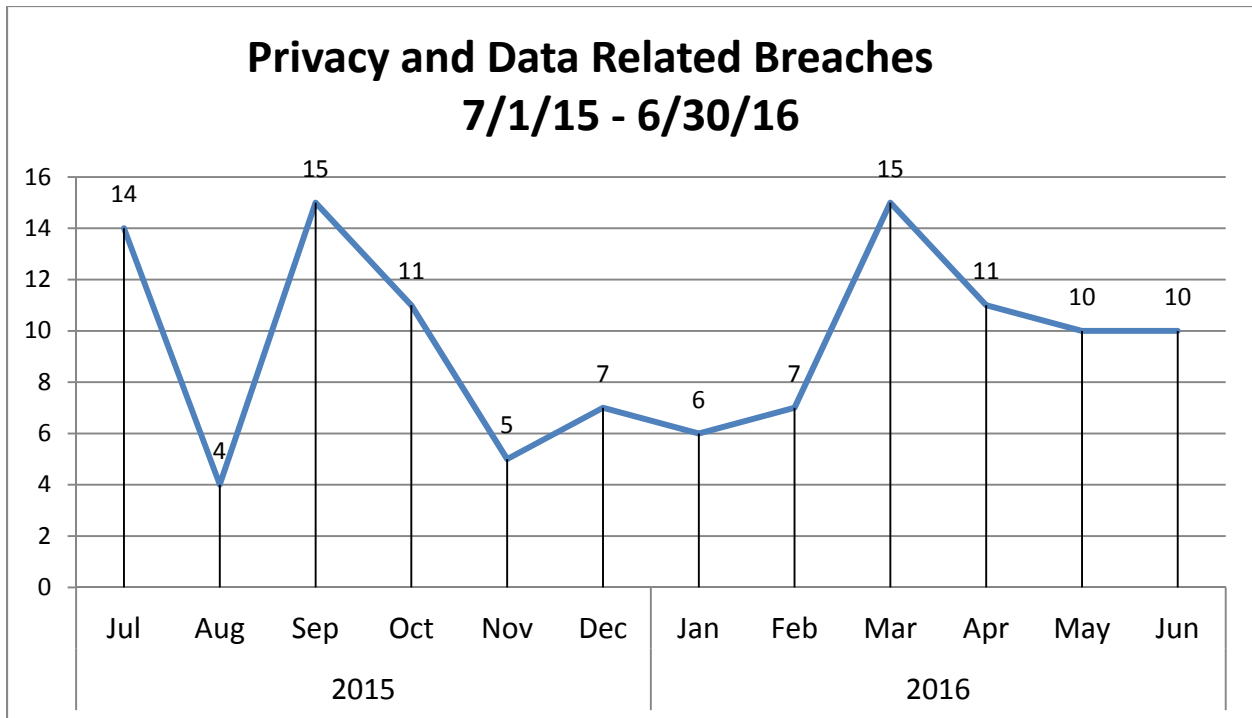
During the second quarter of 2016 there were a total of 32 privacy breaches reported, three of which are currently under investigation. Of the remaining 29, one allegation was unsubstantiated and the remaining 28 were found to be in violation of the Privacy and Confidentiality Corporate Policy.

Non-Privacy Cases: The 82 non-privacy related cases reported during this quarter included, 36 Attendance / Time theft cases, 23 conduct related cases, 19 EEO related cases and 4 cases from various other categories.

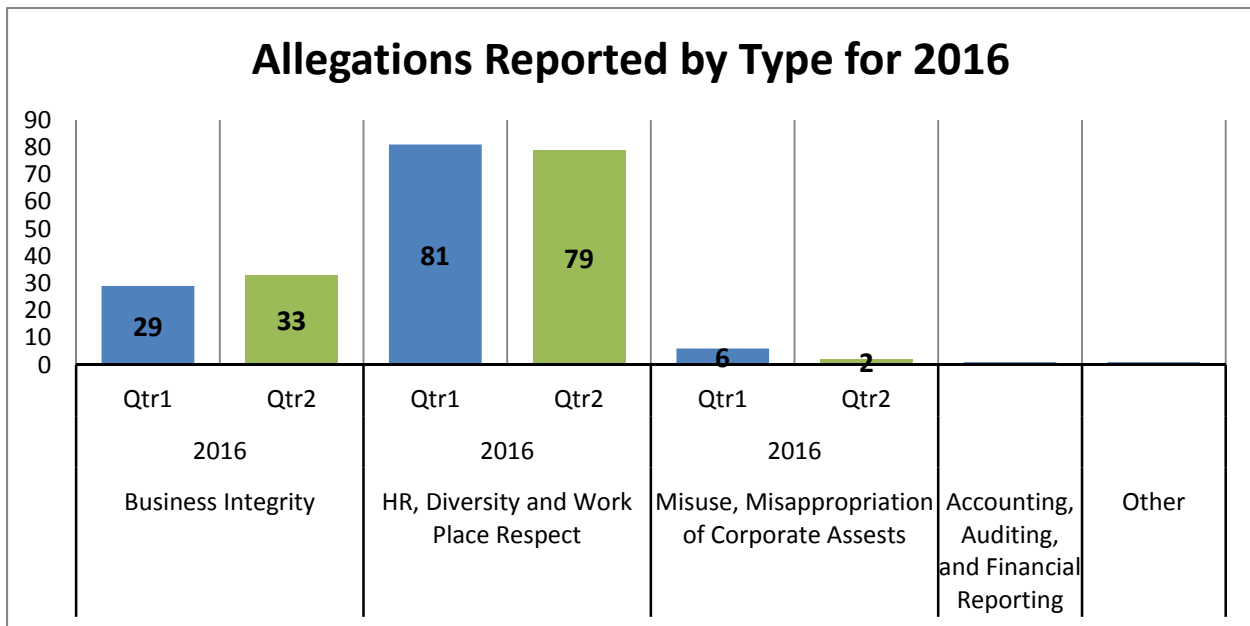
Recommendations: Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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



(Chart 1)

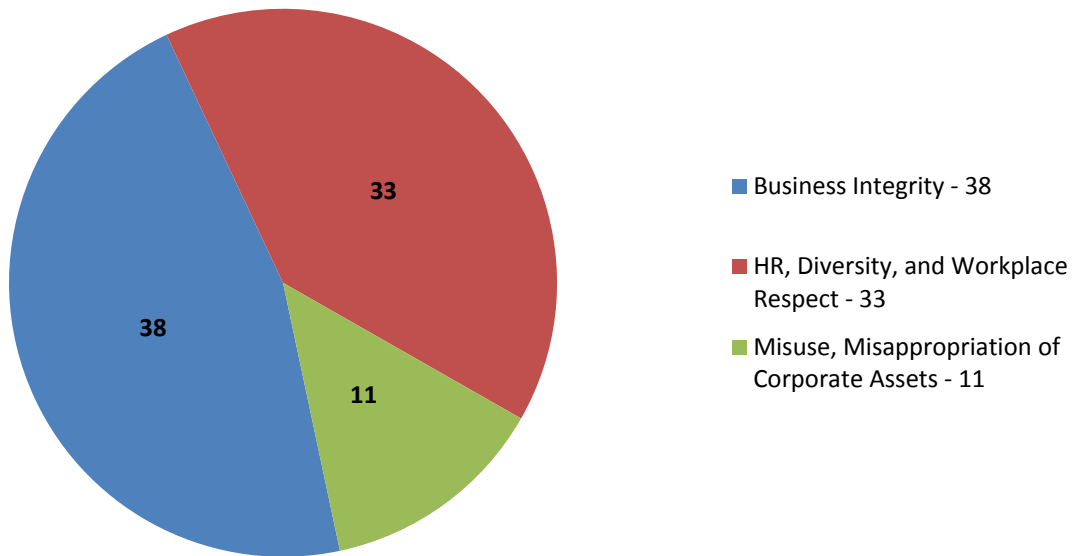


(Chart 2)



(Chart 3)

Q2 - 2016: Completed Investigations by Type



(Chart 4)

Q2 - 2016: Disposition of Completed Investigations

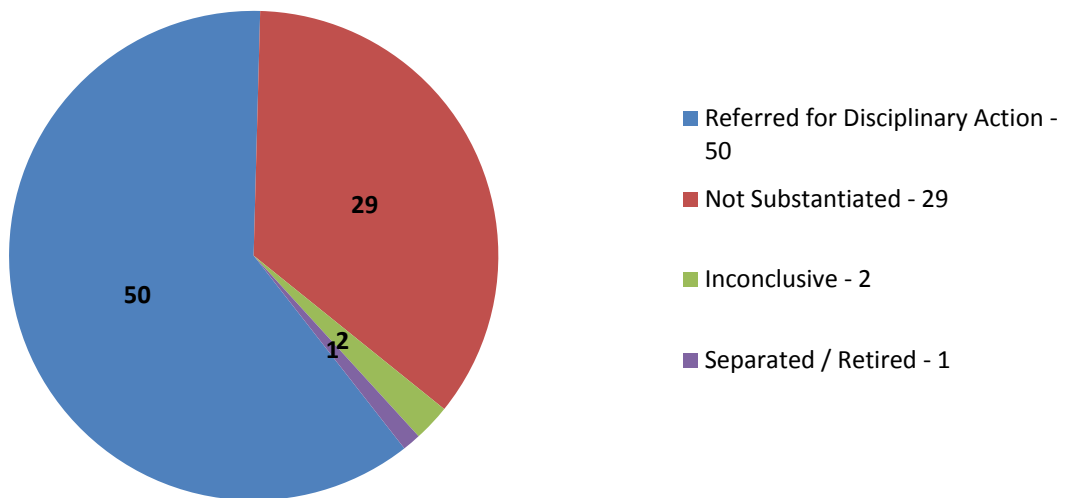


Chart (5)

Hotline Benchmark category definitions

Accounting Auditing and Financial Reporting: Forgery, Accounting and Financial Control

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

Other: Types of misconduct that fails to fall into the above categories such as Safety, Assault or Environmental Protection Compliance.