



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

Date: August 7, 2015

**TO: MEMBERS, AUDIT COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE:</b>	Open Agenda Item 5 – Whistleblower Hotline
<b>II. NAME AND TITLE:</b>	Andreas Acker, Executive Vice President and Chief Administrative Officer; and Dante Robinson, Chief of Internal Affairs
<b>III. ACTIVITY:</b>	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<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 94 ethics allegations reported during the period April 1, 2015 through June 30, 2015.

**SITUATION:** State Fund receives reporting on ethics related issues from a number of different sources to include management referrals, referrals from our privacy office, and through our whistleblower and ethics hotlines. During the second quarter of 2015 there were 35 cases reported through NAVEX Global, 31 management referrals, and 28 referrals from the Privacy Office.

**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 hotlines and will include statistical information for the quarter.

**ATTACHMENTS:**

1. Q2-2015 - Ethics Allegations Report (Open Session) 4/1/2015 – 6/30/2015
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Type
4. Q2-2015 Completed Investigations

Open Agenda Item 5 – Attachment 1

**ITEM NAME:** 2015-Q2 Ethics Allegations Report (Open Session) 4/1/2015 – 6/30/2015

**EXECUTIVE SUMMARY:** Human Resources and Internal Affairs investigate the majority of the matters referred through the Ethics Hotline, California Whistleblower Hotline, Management Referrals, and Privacy Office. For the first quarter of 2015, there were 94 new allegations received and 61 investigations completed. From the 61 completed investigations, 14 resulted in the allegations being unsubstantiated and 47 where the allegations were substantiated. Of the 47 substantiated allegations, 46 were referred to Manager Services for action and 1 involved employees who separated or retired from State Fund.

**ANALYSIS:** From January 1, 2014 through June 30, 2015, the average number of allegations reported from all sources was 28 per month, ten per month from the Ethics Hotline, six per month from manager referrals, and 12 per month referred from the Privacy Office.

During the second quarter of 2015, there were 94 reports received from the following sources:

- Ethics Hotline – 35
- Management Referral – 31
- Privacy Office – 28

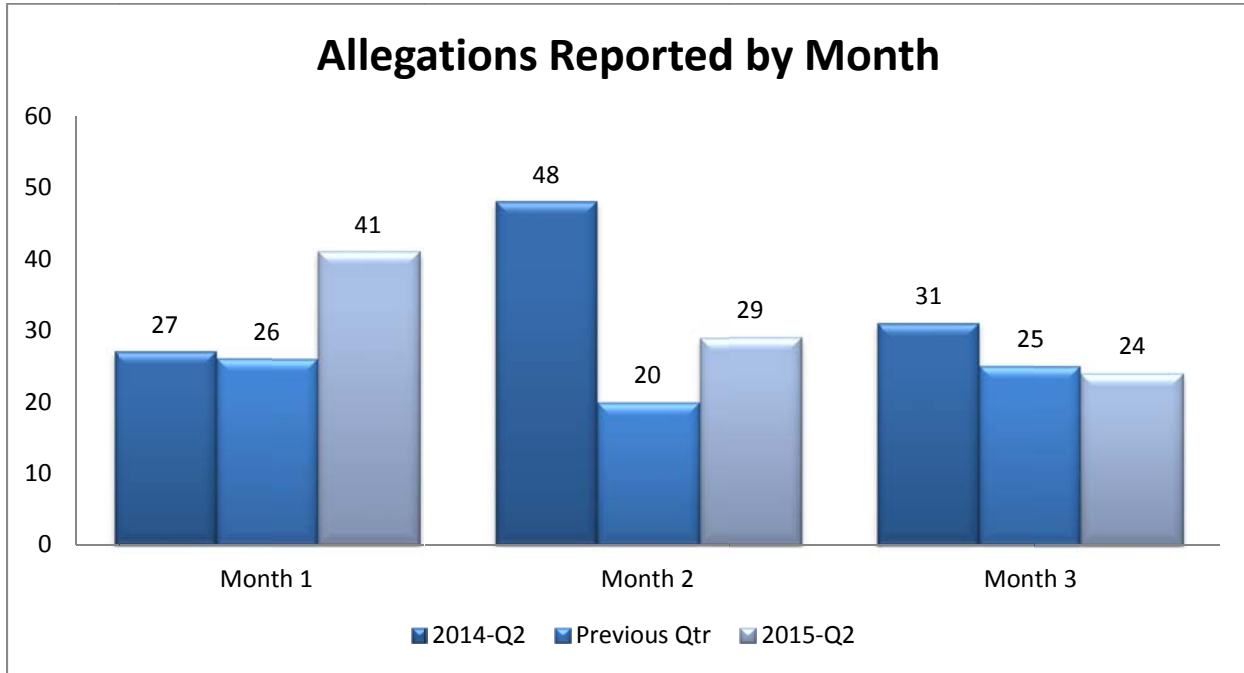
**Suspected Privacy Breaches:** Suspected data breaches and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to comprise the majority of the cases investigated and addressed by Human Resources. From January 1, 2014 through June 30, 2015 privacy related cases comprised 47%<sup>1</sup> of our overall caseload. During the second quarter of 2015 there were a total of 38 privacy breaches reported, 18 of which are currently under investigation. Of the remaining 20, two allegations were unsubstantiated and the remaining 18 were found to be in violation of the Privacy and Confidentiality Corporate Policy.

**Non-Privacy Cases:** The 56 non-privacy related cases reported during this quarter included eleven cases involving misconduct or inappropriate behavior, eleven cases involving discrimination or harassment, eight cases involving misuse and abuse of time and resources, seven involving performance and nineteen from various other categories.

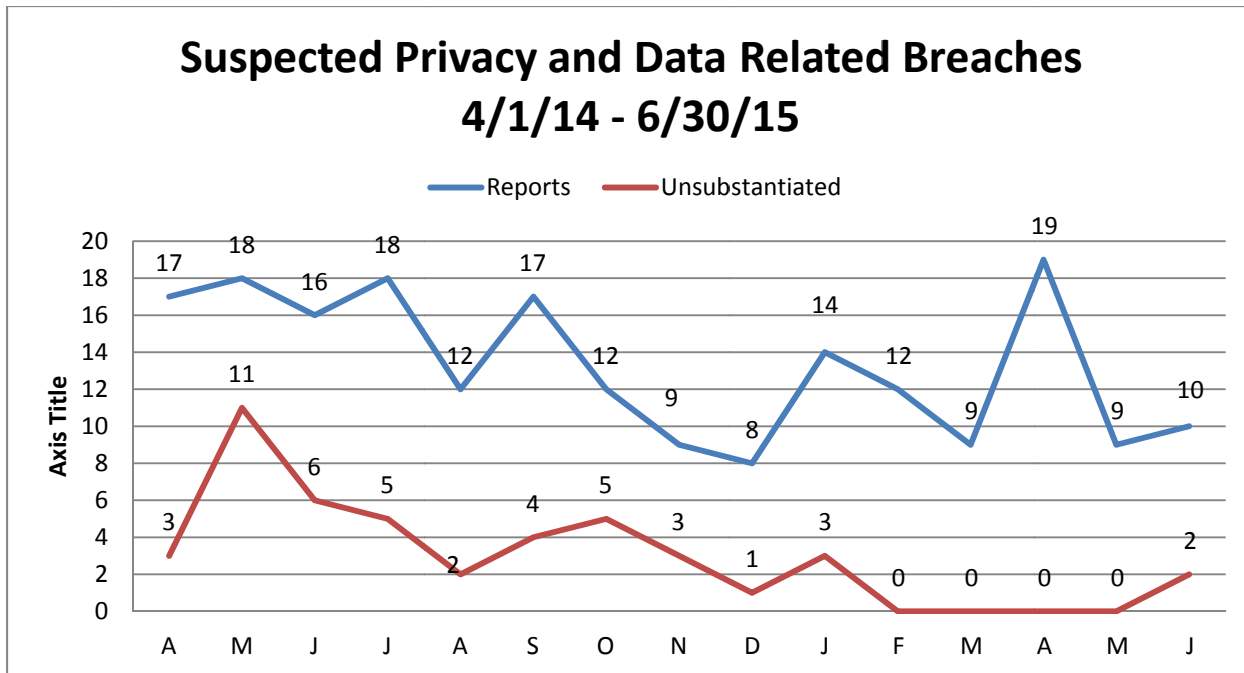
**Recommendations:** Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures where necessary, and to seek out opportunities to raise awareness and educate the State Fund workforce of their responsibility to prevent the improper disclosure or use of private/confidential information. 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.

---

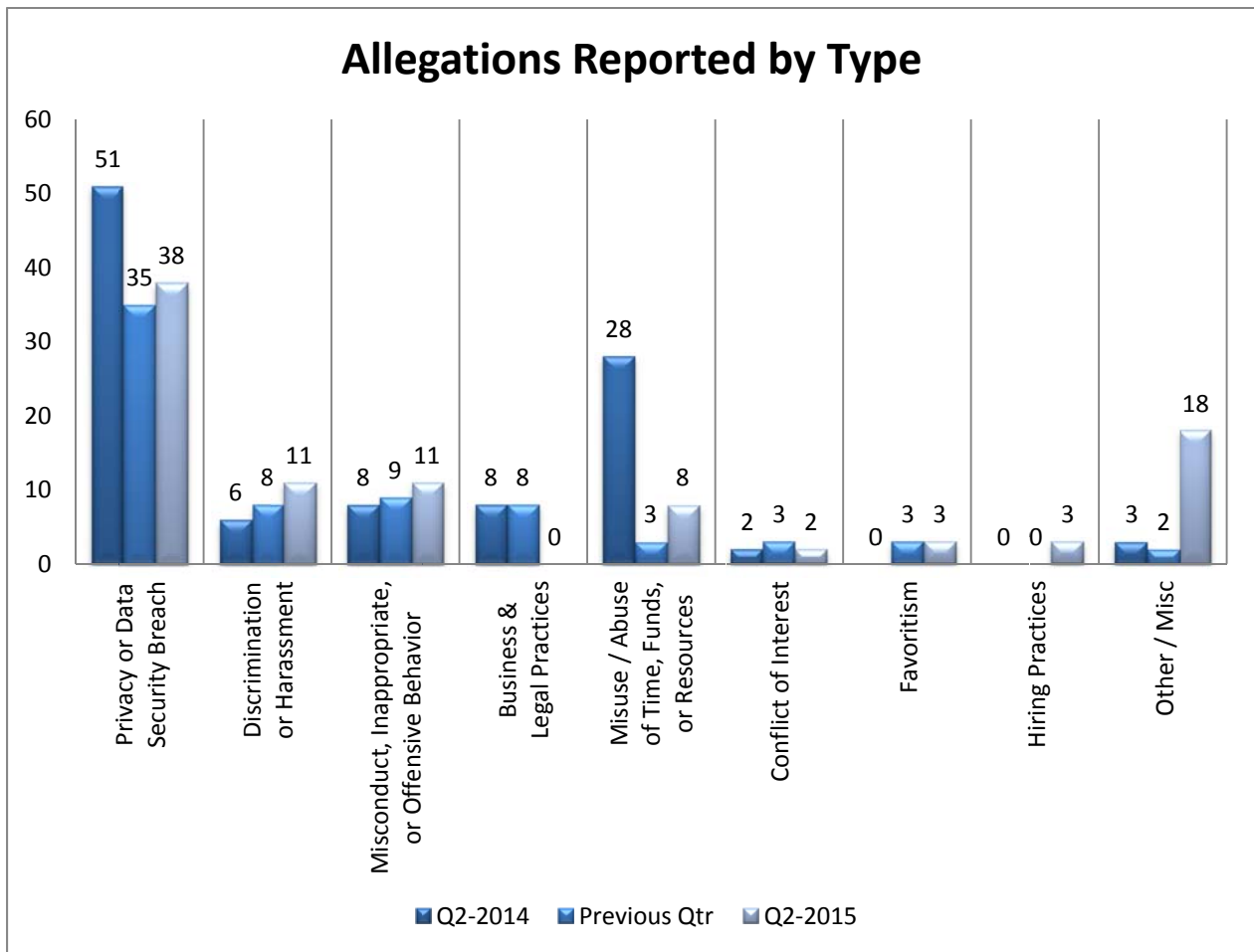
<sup>1</sup> 227 of the 485 allegations reported in 2014 and 2015 were suspected privacy or data breaches.



(Chart 1)

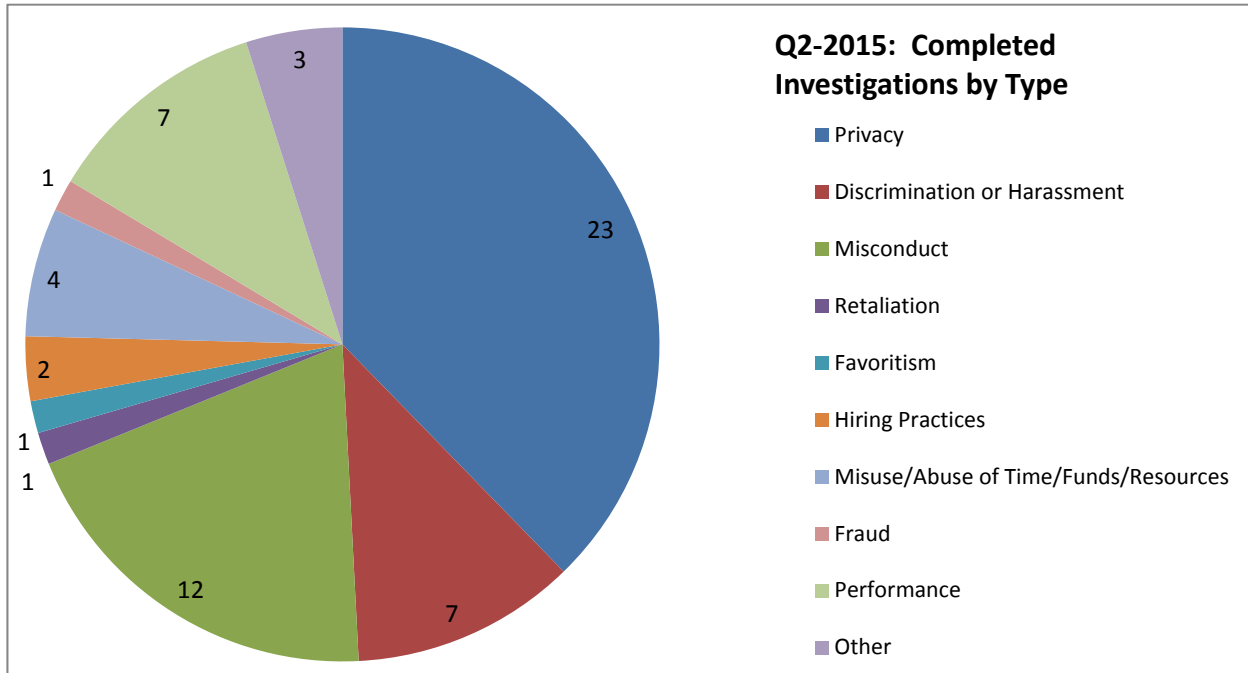


(Chart 2)



(Chart 3)

Open Agenda Item 5 – Attachment 4: Q1-2015 Completed Investigations



(Chart 4)

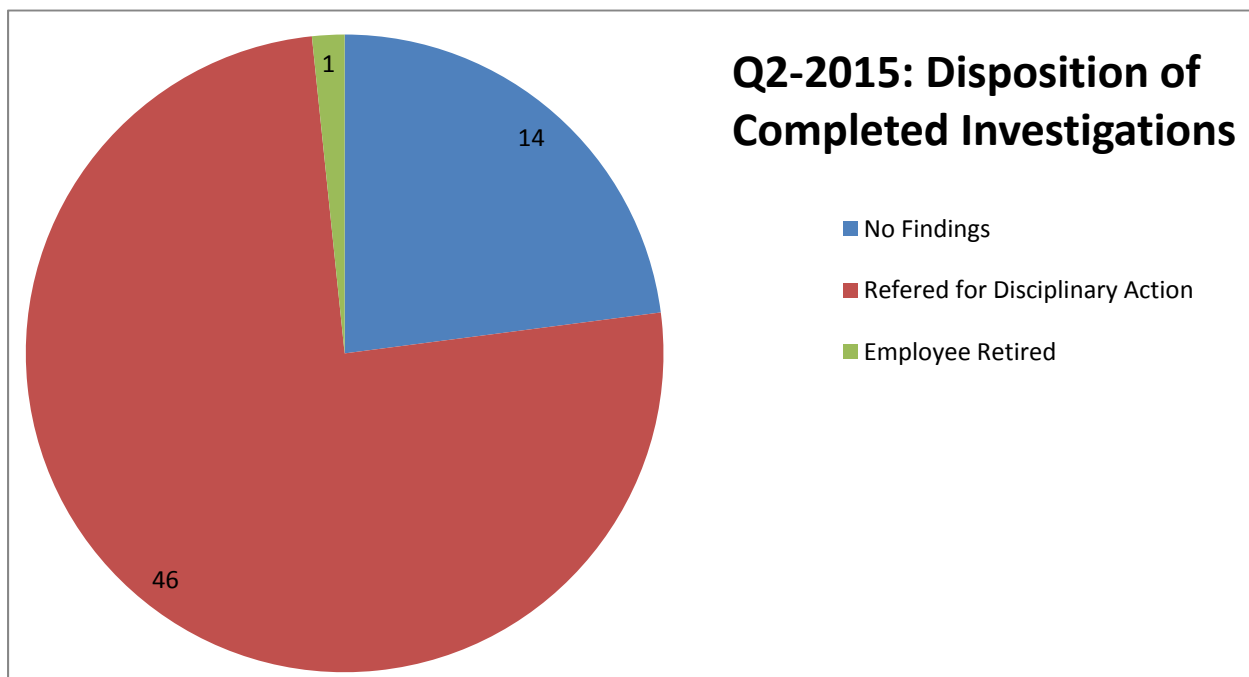


Chart (5)