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Date: November 2, 2018

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 153 ethics allegations reported during the period July 1, 2018 through September 30, 2018.

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. Q3-2018 - Ethics Allegations Report (Open Session) 7/1/2018 – 9/30/2018
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Hotline Benchmark category
4. Q3-2018 Completed Investigations
5. Benchmark category definitions

ITEM NAME: 1. Q3-2018 - Ethics Allegations Report (Open Session) 7/1/2018 – 9/30/2018

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 third quarter of 2018, there were 153 new allegations received, 97 did not require an investigation and were referred to our Manager Services Unit to address and 56 were referred to the Internal Investigations Unit to investigate. Twenty-nine of these investigations are still in progress and 27 investigations have been closed and referred to our Manager Services Unit for policy violation determination and corrective action. Of those, four were unsubstantiated. Of the 153 new allegations, 93 were reported by Management, indicating that managers are identifying and addressing issues.

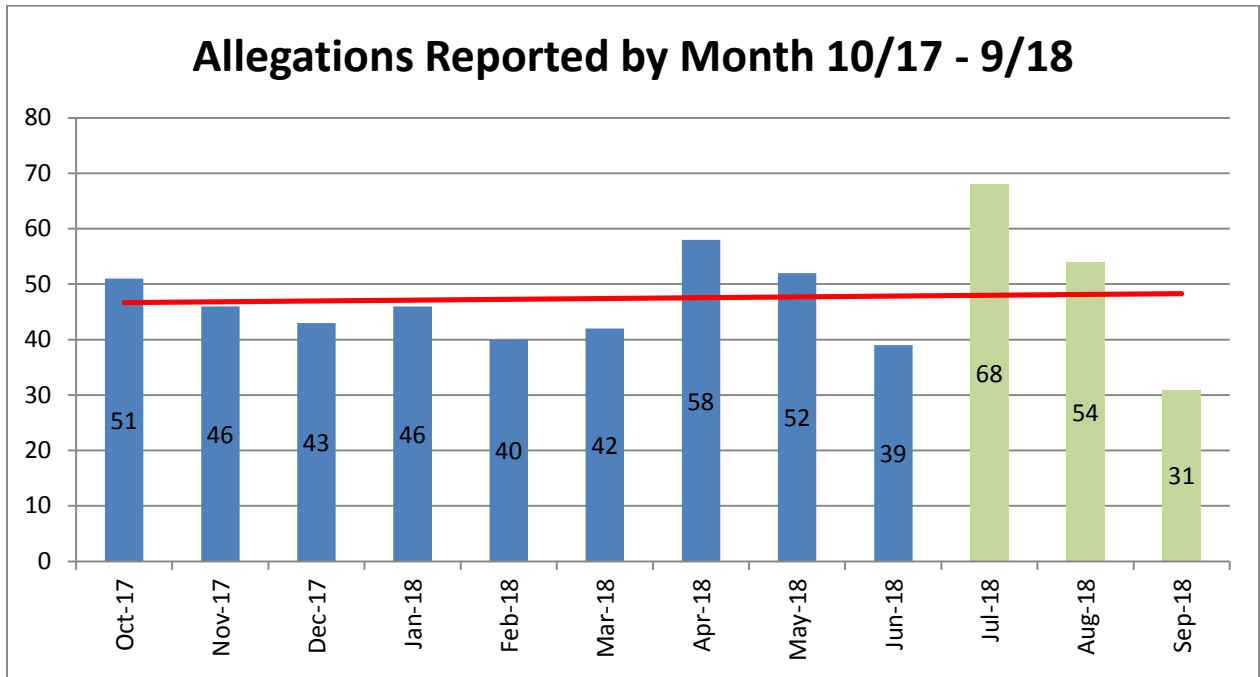
ANALYSIS: During the third quarter of 2018, there were 153 reports received from the following sources. The average number of allegations reported from all sources was 51 per month:

<u>Reporting Method</u>	<u>Q3 Reports</u>	<u>Avg Rpts/Mo</u>
CMS	36	~12
Direct Report	78	~26
TPH	1	~0.33
Privacy Office	30	~10
Other	8	~2.6

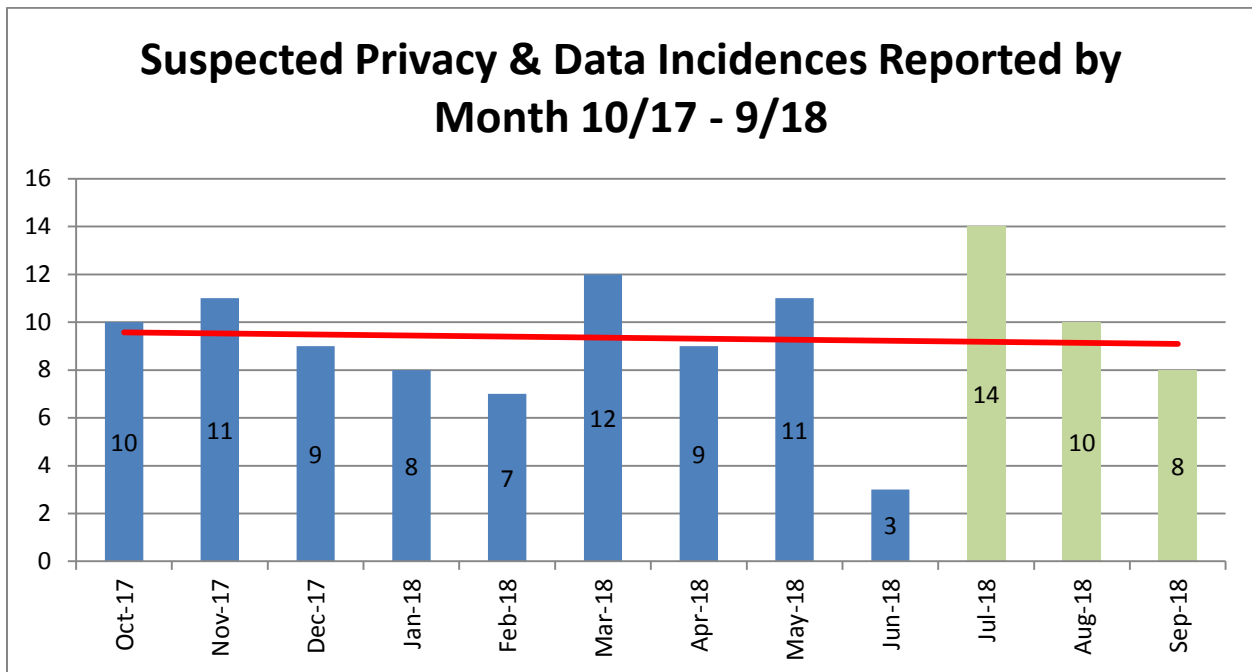
Suspected Privacy Instances: Suspected data incidences and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems represent about 20% of reports received by the Manager Services or Internal Investigations Units in the third quarter. During the third quarter of 2018, there were a total of 32 suspected privacy incidences reported, three of which are still under investigation. Of the remaining 29 completed investigations, 19 were found to be violations of the Privacy and Confidentiality Corporate Policy.

Non-Privacy Cases: During the third quarter of 2018 there were a total of 121 non-privacy related cases reported; 45 were conduct related cases, 38 were attendance or time theft cases, 17 were EEO related cases, and 21 cases were from various other categories.

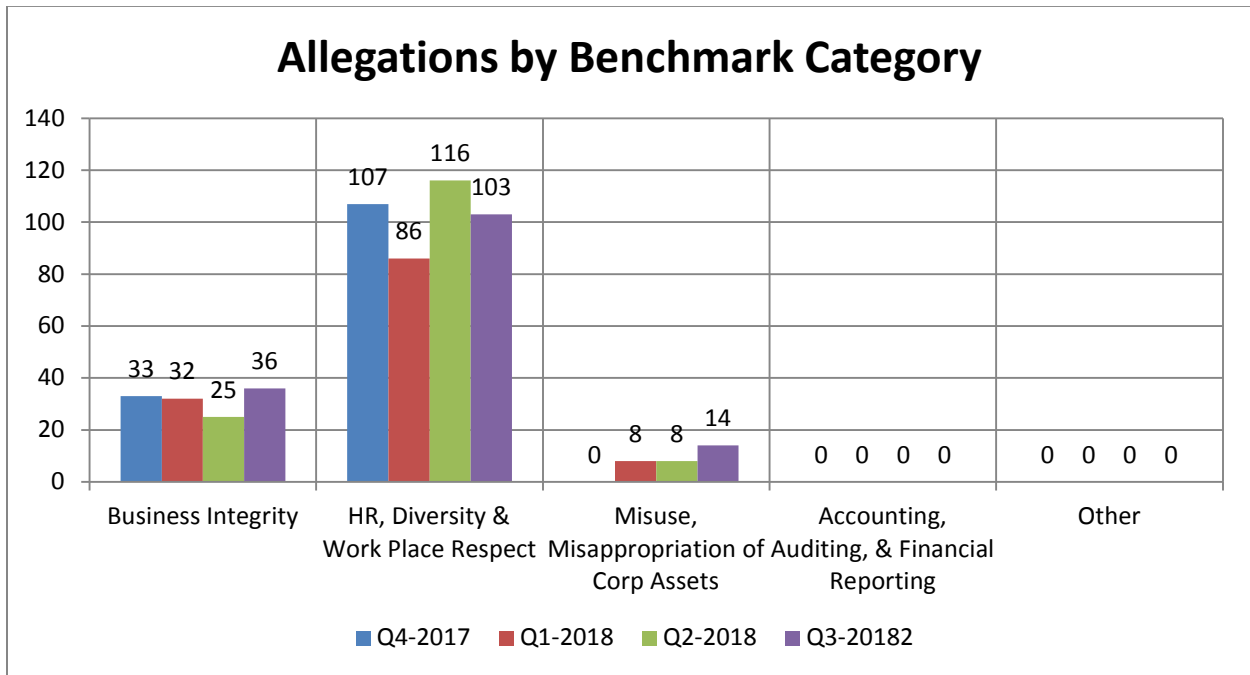
Recommendations: Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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



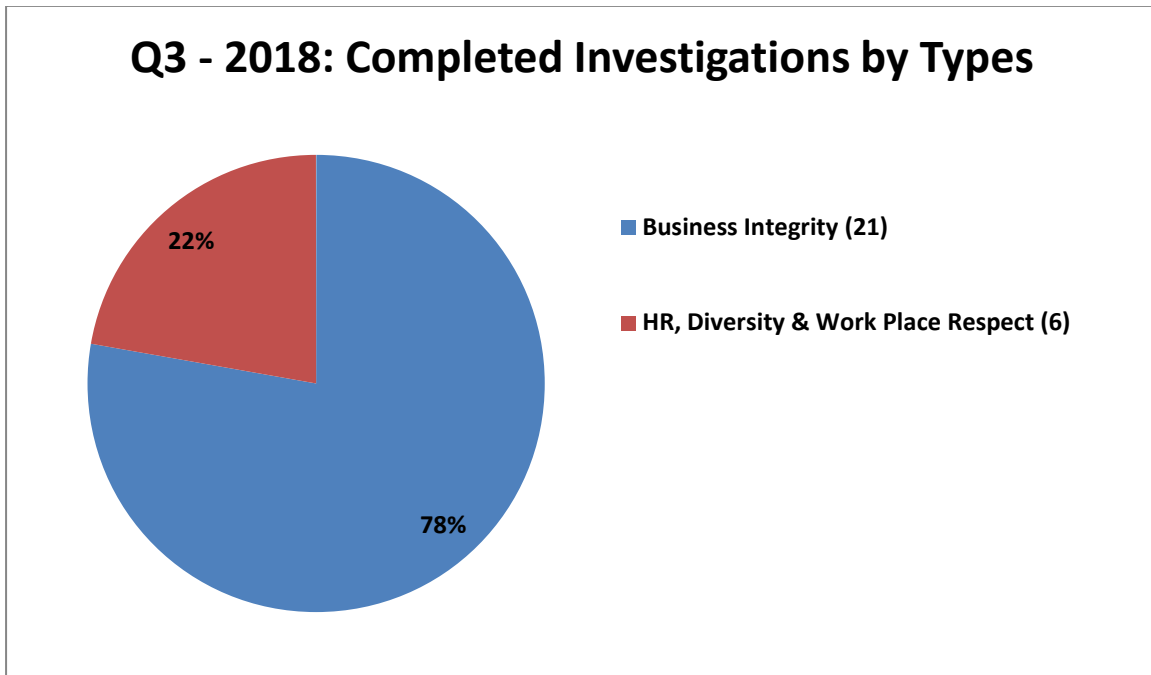
(Chart 1)



(Chart 2)



(Chart 3)



(Chart 4)

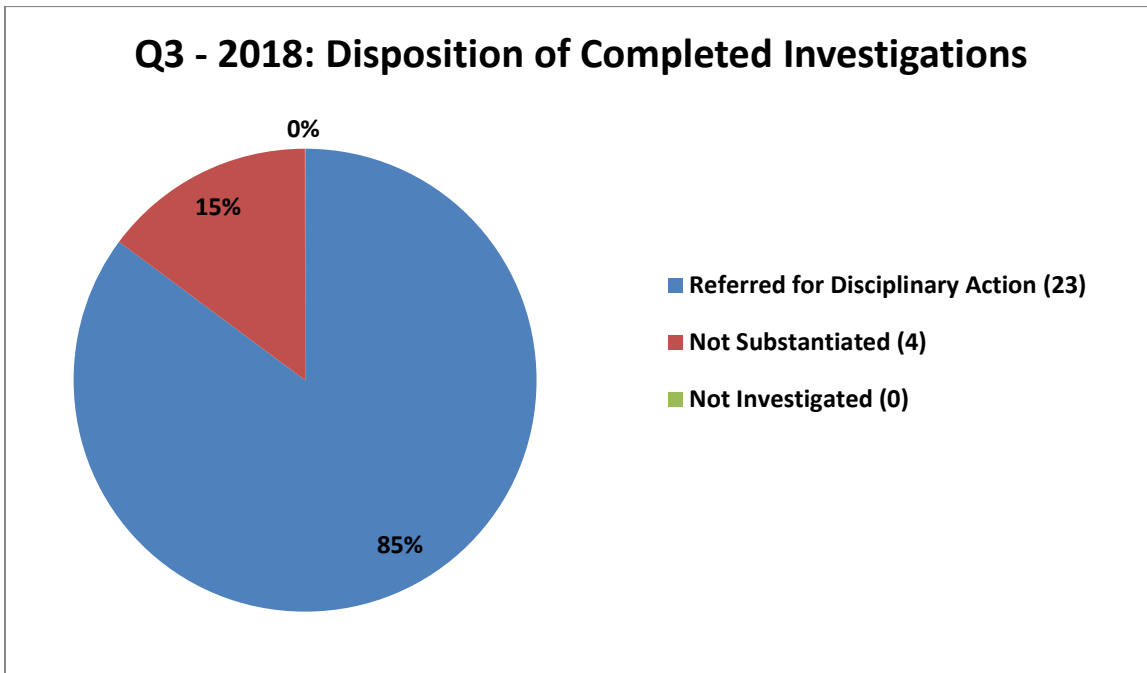


Chart (5)

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

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