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Date: November 23, 2015

**TO: MEMBERS, AUDIT COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE:</b>	Open Agenda Item 5 – Whistleblower Hotline
<b>II. NAME AND TITLE:</b>	Patrick Gage, Vice President of HR Connect
<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 64 ethics allegations reported during the period July 1, 2015 through September 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 third quarter of 2015 there were 41 cases reported through ethics hotline vendor NAVEX Global, 1 management referral, and 22 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. Q3-2015 - Ethics Allegations Report (Open Session) 7/1/2015 – 9/30/2015
2. Allegations Reported by Month & Privacy Reporting
3. Allegations Reported by Type
4. Q3-2015 Completed Investigations

**ITEM NAME:** 2015-Q3 Ethics Allegations Report (Open Session) 7/1/2015 – 9/30/2015

**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 third quarter of 2015, there were 64 new allegations received and 61 investigations completed. From the 61 completed investigations, 26 resulted in the allegations being unsubstantiated and 35 where the allegations were substantiated. Of the 35 substantiated allegations, 34 were referred to Manager Services for action and one involved an employee who separated or retired from State Fund.

**ANALYSIS:** From January 1, 2015 through September 30, 2015, the average number of allegations reported from all sources was 28 per month, 11 per month from the Ethics Hotline, six per month from manager referrals, and 11 per month referred from the Privacy Office. This reflects a slight drop from reporting in past quarters despite a small increase in total personnel.

During the third quarter of 2015, there were 64 reports received from the following sources:

- Ethics Hotline – 41
- Management Referral – 1
- Privacy Office – 22

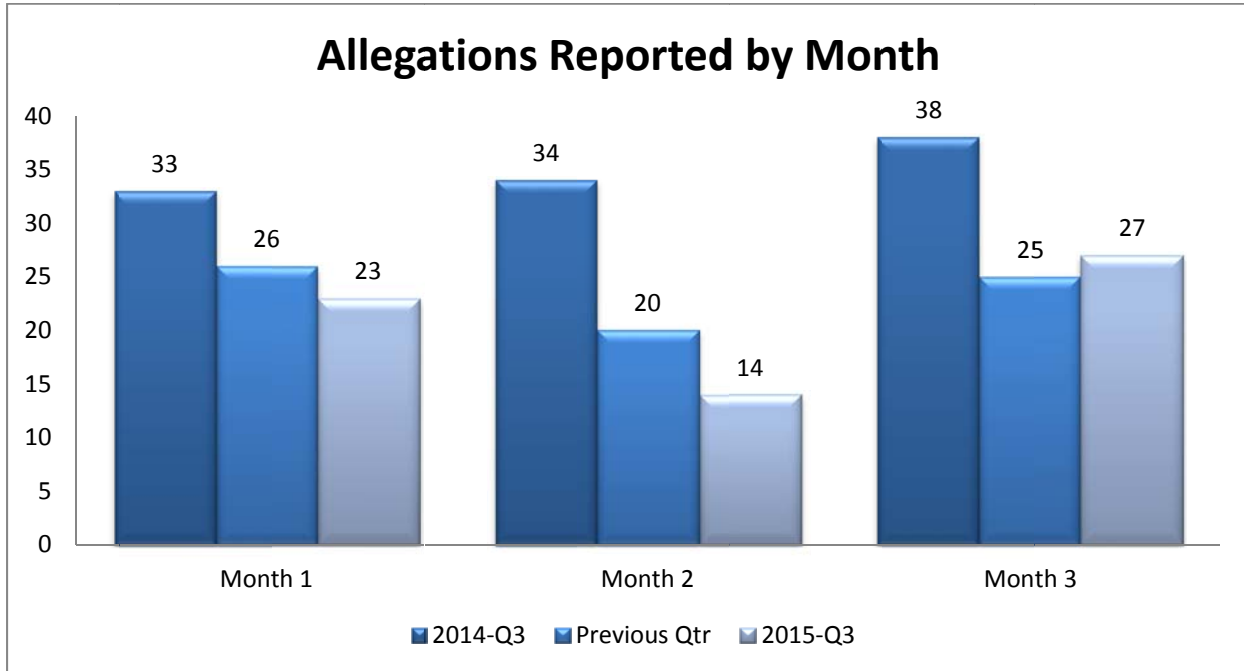
**Suspected Privacy Breaches:** Suspected data breaches and unauthorized transmission of personally identifiable information (PII) outside of State Fund systems continue to comprise the majority of the cases investigated and addressed by Human Resources. From January 1, 2015 through September 30, 2015 privacy related cases comprised 46%<sup>1</sup> of our overall caseload. During the third quarter of 2015 there were a total of 34 privacy breaches reported, 9 of which are currently under investigation. Of the remaining 25, one allegation was unsubstantiated, 18 were found to be in violation of the Privacy and Confidentiality Corporate Policy, and the result of four investigations was inconclusive.

**Non-Privacy Cases:** The 30 non-privacy related cases reported during this quarter included eight cases involving misconduct or inappropriate behavior, six cases involving EEO, and sixteen from various other categories.

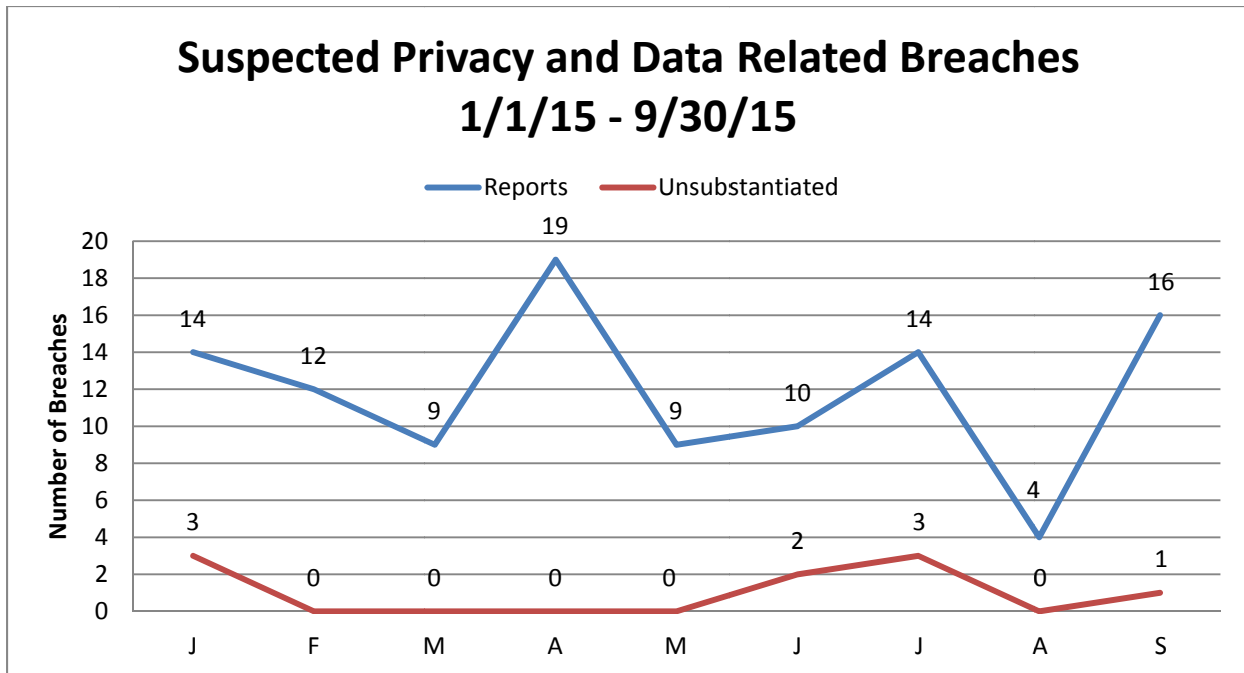
**Recommendations:** Every instance of observed misconduct and privacy violations represents a risk to the organization. Human Resources and the Privacy Office will work with management on identifying and implementing risk mitigation measures, implementing corrective actions and taking disciplinary measures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

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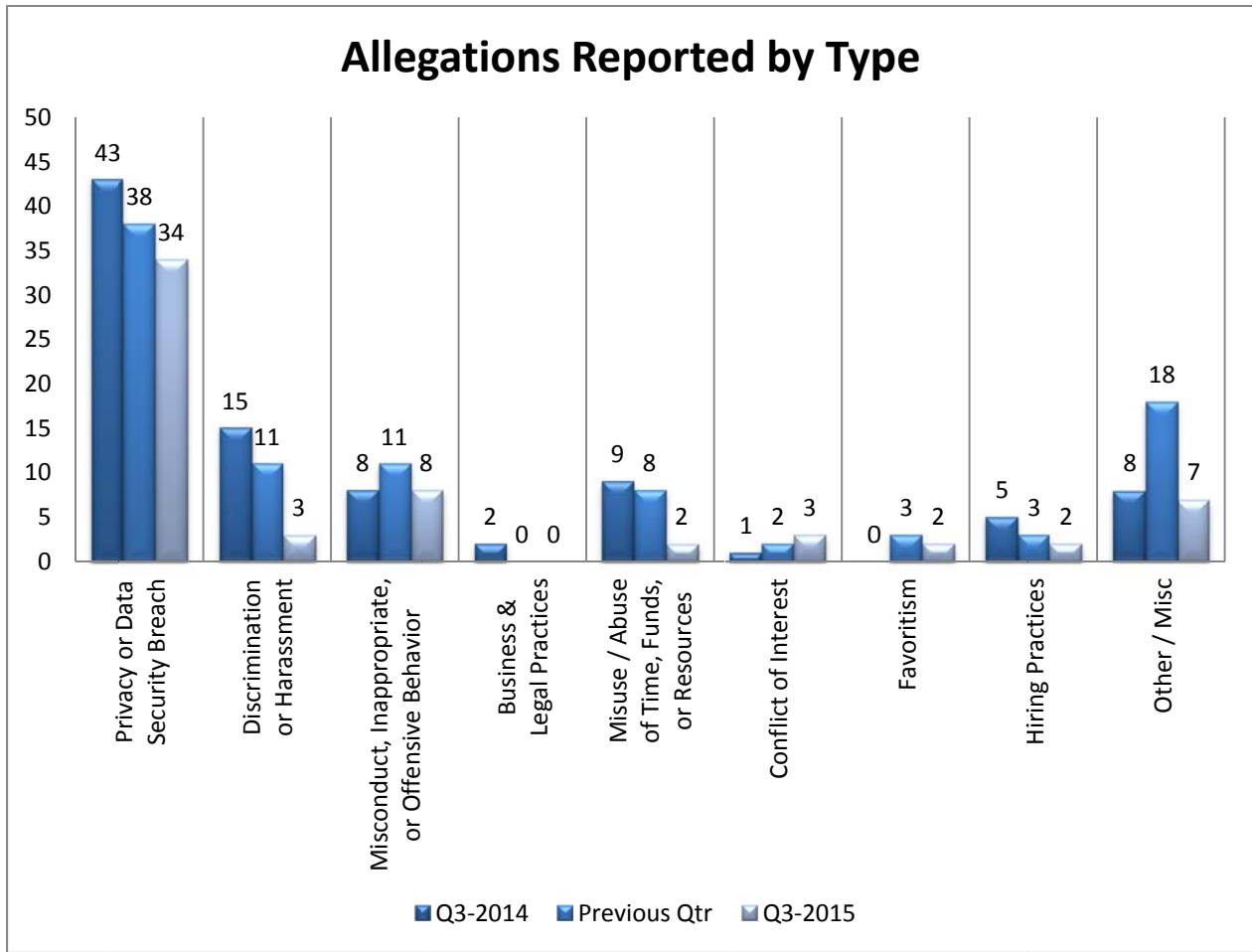
<sup>1</sup> 109 of the 229 allegations reported in 2015 have been suspected privacy or data breaches.



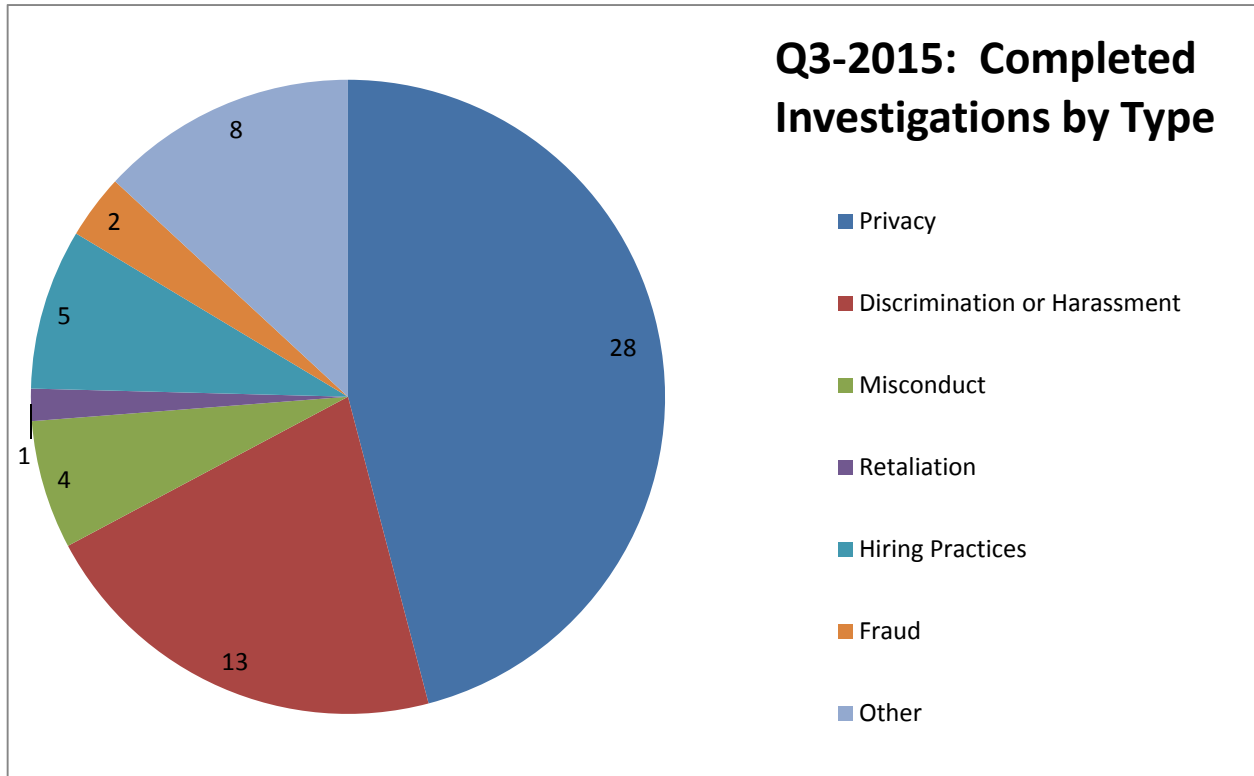
(Chart 1)



(Chart 2)



(Chart 3)



(Chart 4)

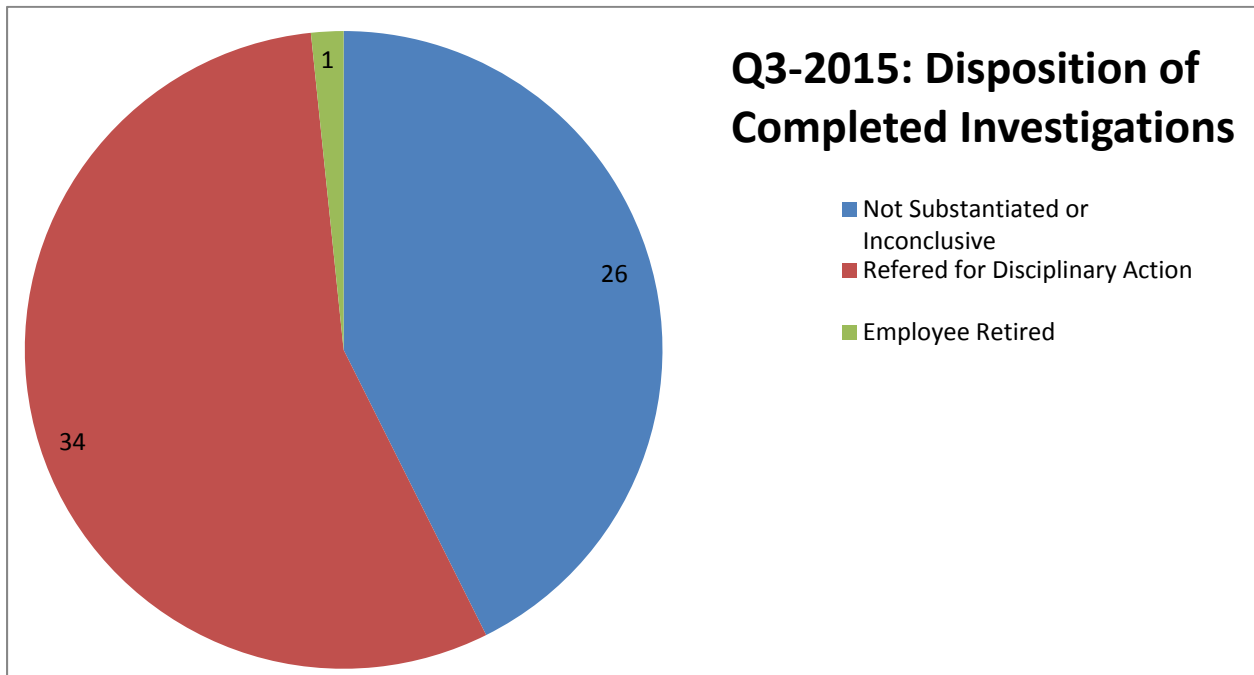


Chart (5)