INFORMATIONAL ONLY FOR BOARD OF DIRECTORS

TO: MEMBERS, GOVERNANCE COMMITTEE

I.	**AGENDA ITEM # AND TITLE :**	Open Agenda Item 21ai – Governance, Compliance and Privacy Update
II.	**NAME AND PROGRAM:**	Governance, Compliance & Privacy
III.	**ACTIVITY:**	☒ Informational ☐ Request for Direction ☐ Action Proposed ☐ Exploratory
IV.	**JUSTIFICATION:**	☒ Standard/Required Item ☐ Board Request – New Item ☐ New Topic from Staff

V.   EXECUTIVE SUMMARY:
Compliance reporting includes:

- EC&F 2.2 Incompatible Activities Statement & Policy
- Compliance Training
- Hotline reporting

VI.   ANALYSIS: The following summarizes compliance related activity for the period and is in alignment with State Fund's Compliance Framework[1]:

Clear Written Standards of Conduct, Policies & Procedures

Corporate Policy EC&F 2.2 Incompatible Activities Statement revision is in progress. This policy supports the Code of Conduct. A policy statement related to nepotism was added and the notification process was changed from notifying Program Managers to supervisors. As required by the California Code of Regulations:[2]
- The policy was posted for employee comments for 30 days.
    - A comment was received regarding the notification process change.   HR is in the process of addressing the employee concern.
- The policy will be submitted to the California Department of Human Resources (CalHR) for approval.

The policy and its supporting procedure will be submitted to HR Employee Relations for union review once approved by CalHR.

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[1] All Governance reports are grounded in State Fund's Compliance Framework – resource USSG Ch. 8 Part B2.1(b)
[2] 2 CCR § 599.870 Incompatible Activities Statement

Effective Training, Communication, and Awareness

2018 Compliance Training – Security Awareness due 9/28/2018

Goal: *Achieve 98% Workforce compliance rate (100 percent consultant and 98 percent employee) for the organization's mandatory training.*

Goal met: Ninety-nine percent active employee and one hundred percent contingent worker compliance was achieved for 2018 Security Awareness Training.

Mandatory training schedule for the rest of the year:

Training Title	Mandatory Audience	Release Date	Target Completion Date
Privacy	All State Fund Employees and Consultants	August/Q3	11/30/2018
Ethics, Code of Conduct and Acknowledgement	All State Fund Employees and Consultants	May/Q2	12/31/2018
Anti-Fraud	Integral anti-fraud personnel: those with duties including processing, investigating, or litigating payment or denial of a claim, application for adjudication or application for insurance; required participants will be notified when training is released.	Oct/Q4	12/31/2018

Consistent monitoring, evaluation & reporting

Ethics and Privacy Reported Issues

The total number of hotline reports declined by 36% (22 Q2 vs. 14 Q3). Governance, Compliance & Privacy will participate in the Corporate Compliance and Ethics Week (a national event), scheduled for November 4-10, 2018. We will highlight and raise awareness about the Ethics and Privacy hotline during this event.

The total number of reported incidents remains constant in Q2 (153) and Q3 (154).

Similar to Q1 and Q2, Human Resources (HR) related issues were the most reported category in Q3.

- Q3 2018 (100 of 154) – 65% of total incidents reported
- Time and behavior issues (78 of 154) –51% of HR related issues

Privacy ranks second as the most reported category (21%, 32 of 154 total incidents). The Privacy Office refers suspected privacy incidents to Human Resources for investigation.

State Fund management has the highest number of reports (60%, 93/154) compared to other reporter categories. Investigation ranks second with 26% (40/154) of total reports. This includes investigation referrals by Privacy and Internal Audit to HR Investigations. Chart 2 shows the breakdown by reporter category.

Chart 1: Allegations by Category
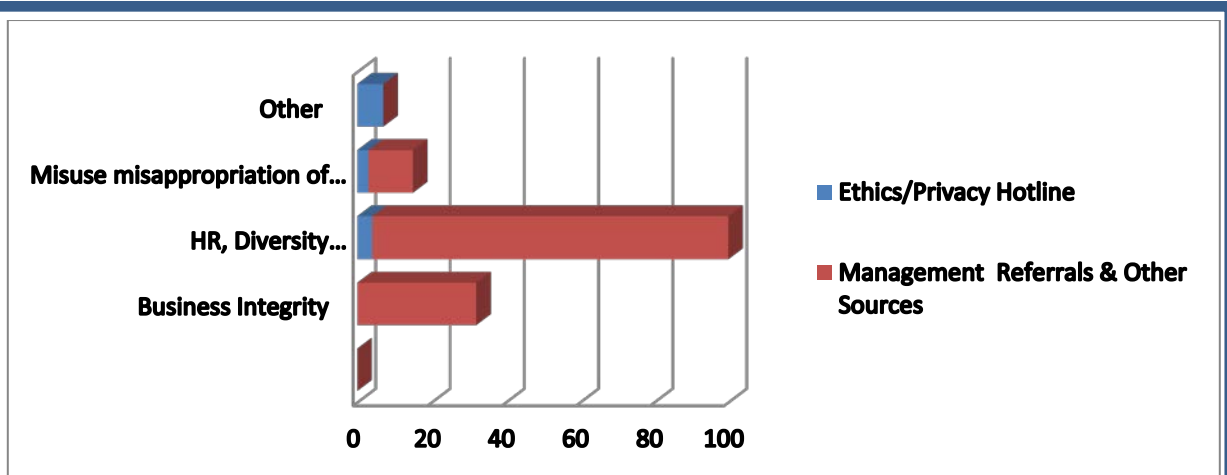
Reporting method	Accounting Auditing & Financial Reporting	Business Integrity	HR, Diversity & Workplace Respect	Misuse Misappriation of Corporate Assets	Other
Ethics/Privacy Hotline	0	0	4	3	7
Management Referrals & Other Sources	0	32	96	12	0

Chart 2: Reporter Category

	Complainant	Investigation	Management	Witness	Total
Series1	17	40	93	4	154
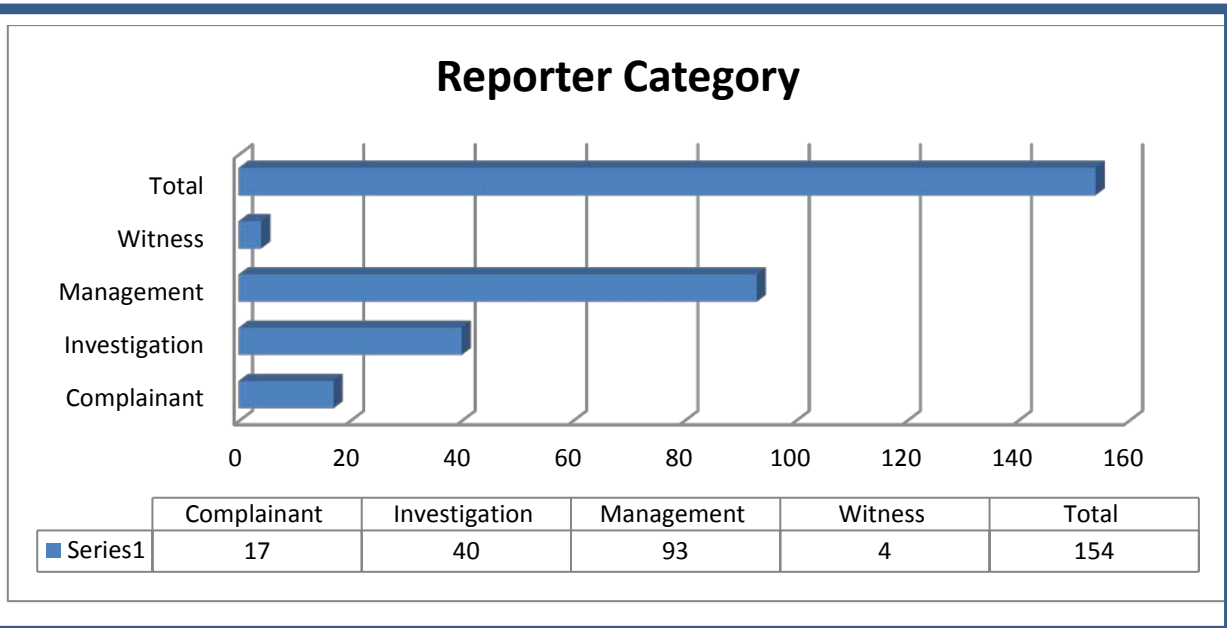
APPENDIX:

Report Allegation Categories and Definitions
Accounting, Auditing, and Financial Reporting: Forgery, Accounting and Financial Control

Business Integrity: Falsifying Records, Privacy and Data Security Incidents, 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 and 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.