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Date: May 10, 2019

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 7ai – Governance, Compliance and Privacy Update
II. NAME AND PROGRAM:	Governance, Compliance & Privacy
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

V. EXECUTIVE SUMMARY:

The following standard Compliance reporting requested by the Governance Committee includes:

- Statement of Economic Interest (Form 700) Annual Filing Compliance
- 2019 Mandatory Compliance Training Schedule
- Ethics Reported Issues

VI. ANALYSIS:

State Fund had a 98% compliance rate for the annual filing of the Statement of Economic Interest forms.

The 2019 Mandatory Compliance Training Schedule has been provided to all employees, featuring material on security awareness, privacy, Code of Conduct, preventing workplace harassment, and anti-fraud.

Ethics reported issues for the first quarter of 2019 increased 33% from the fourth quarter of 2018. HR related issues remain the highest reported category.

VII. RECOMMENDATION: Information only.

VIII. PRESENTATION EXHIBITS: Enclosed.

IX. APPENDIX: Not applicable.



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Executive Summary



1. Statement of Economic Interest (Form 700) Annual Filing Compliance
2. 2019 Mandatory Compliance Training Schedule
3. Ethics Reported Issues

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Effective Training, Communication, and Awareness

A. Statement of Economic Interest (Form 700) Annual Filing Compliance

Statutory annual filing with the Fair Political Practices Commission (FPPC) was completed for Board members, and the CEO, CIO, and CFO positions.

The compliance rate for the annual filing was 98.9 percent for active employees and consultants who are designated filers in State Fund's Conflict of Interest Code. Outstanding notifications are made pursuant to FPPC guidelines prior to making an enforcement referral to the FPPC.





Effective Training, Communication and Awareness

Table 1: Form 700 Filing

Category	Total in Category	# Submissions	Percentage Timely	Late Filers	# Form 700s Outstanding/Separated	#Form 700s Inactive/LOA*
Overall	3930	3886	98.88%	27	17	99
Board of Directors	10	10	100%	0	0	0
State Fund Employees	3603	3583	99.44%	7	13	98
Contingent Workers	317	293	92.43%	20	4	0
<i>*Inactive/Leave of Absence not included in the compliance rate calculation</i>						



Effective Training, Communication, and Awareness

B. 2019 Compliance Training

State Fund's training program covers compliance topics and values-based ethical decision making. Regular training helps workforce members understand how to recognize and raise questions about legal, security, privacy, and ethical issues enabling State Fund to follow safe business practices, reduce unnecessary risk, and protect our policyholders, injured workers, and employees.

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Effective Training, Communication and Awareness

Table 2: Mandatory Training Schedule

Training Title	Mandatory Audience	Release Date	Target Completion Date
2019 Security Awareness	All State Fund Employees and Consultants	Released March 1	06/30/19
Privacy 101 - Why Privacy Matters	All State Fund Employees and Consultants	Released March 1	06/30/19
2019 Code of Conduct and Acknowledgement	All State Fund Employees and Consultants	June/Q2	09/30/19
2019 Preventing Workplace Harassment - Employee/Consultant	All State Fund Employees and Consultants	June/Q2	09/30/19
2019 Preventing Workplace Harassment - Supervisory	All Supervisors and Managers	June/Q2	09/30/19
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	12/31/19



Consistent monitoring, evaluation & reporting

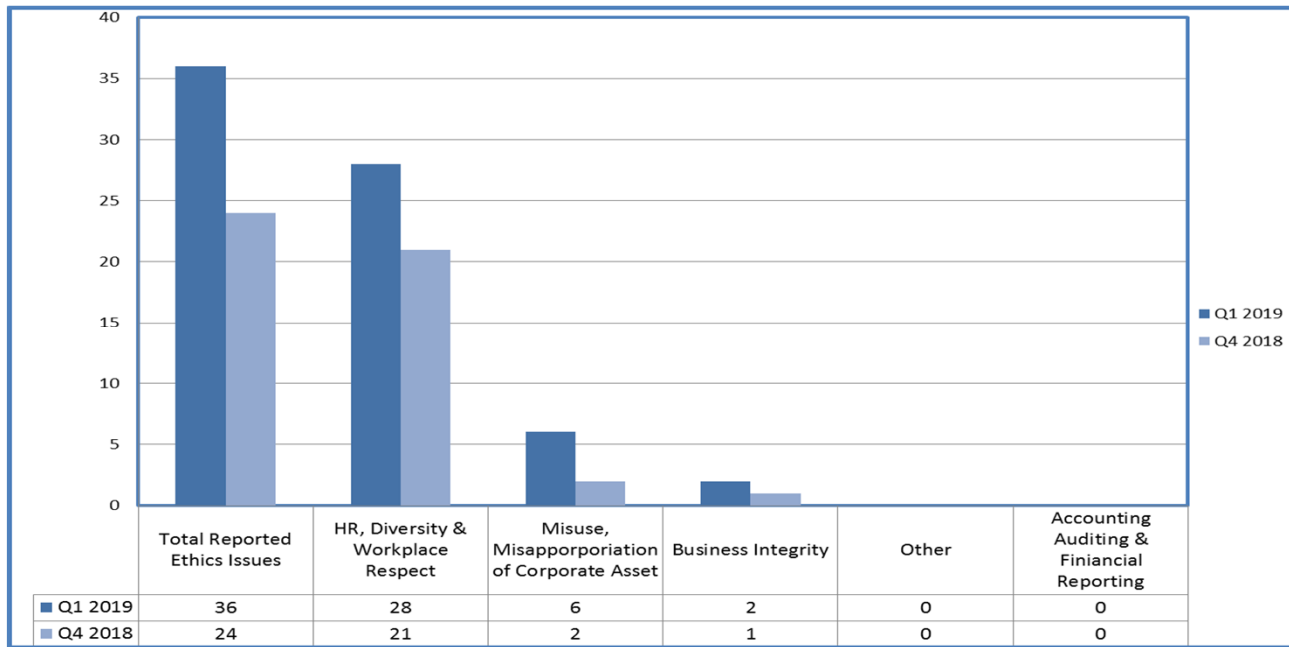
Ethics Reported Issues

- 33% increase in total report (24 - Q4 2018 vs 36 - Q1 2019)
- 91% increase in Hotline reporting (1 - Q4 2018 vs 11 - Q1 2019)
- 78% HR related issues – highest reported category
 - Equal Employment Opportunity Issues – (12 of 28 total HR related issues)
 - Inappropriate/Offensive Behavior - (8 of 28 total HR related issues)



Consistent monitoring, evaluation & reporting

Chart 1: Allegations by Category



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Appendix: Report Allegation Categories and Definitions

- **Accounting, Auditing, and Financial Reporting:** Forgery, Accounting and Financial Control
- **Business Integrity:** Falsifying Records, 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
- **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.