



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

Date: February 6, 2015

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 5 - Whistleblower Hotline
II. NAME AND TITLE:	Andreas Acker, Executive Vice President and Chief Administrative Officer; and Dante Robinson, Chief of Internal Affairs
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:

This report is a recap of the quarterly Ethics Allegations activity and totals for the 4th quarter of 2014.

VI. ANALYSIS:

There were 67 reports received for the fourth quarter from the following sources:

- a. Ethics Hotline – 31
- b. Management Referral – 17
- c. Privacy Office - 19

There were 43 substantiated allegations out of the 103 completed investigations in the fourth quarter. There were 60 unsubstantiated allegations. Twenty-four of the substantiated allegations involved employees transmitting their own, their family members', relatives', policy holders', and claimants' personal identifying information (PII) to a non-State Fund e-mail account. None of the 24 substantiated privacy allegations were material to State Fund's financial statements; however, the majority of them were in violation of State Fund's Code of Conduct and supporting policies. The remaining 19 cases involved conflict of interest, discrimination or harassment, misconduct, inappropriate and/or offensive behavior, misuse/abuse of time and funds, and time theft. State Fund continues to educate its employees on the importance of protecting PII and proprietary information. This education is completed through various training courses including annual Code of Conduct training.

Human Resources continue to take an active role in determining and administering the appropriate level of discipline when an employee commits a security breach or has violated a policy. For security breaches, a first time offense has no adverse impact on an individual's performance appraisal. However, multiple offenses may require further disciplinary action.

VII. RECOMMENDATION:

Management works with Human Resources and the Programs to implement corrective actions and to execute disciplinary action. Since the majority of the investigations are privacy-related, both personal and business, management will continue to educate State Fund Workforces of their responsibility to prevent the improper disclosure or use of private/confidential information.

VIII. APPENDIX: 2014 4th Quarter Ethics Hotline Report



**APPENDIX: 2014 4th Quarter Ethics Allegations Report (Open)
10/1/2014 – 12/31/2014**

Human Resources and Internal Affairs investigate the majority of the matters referred through the Ethics Hotline, California Whistleblower Hotline, Management Referrals, and Privacy Office.

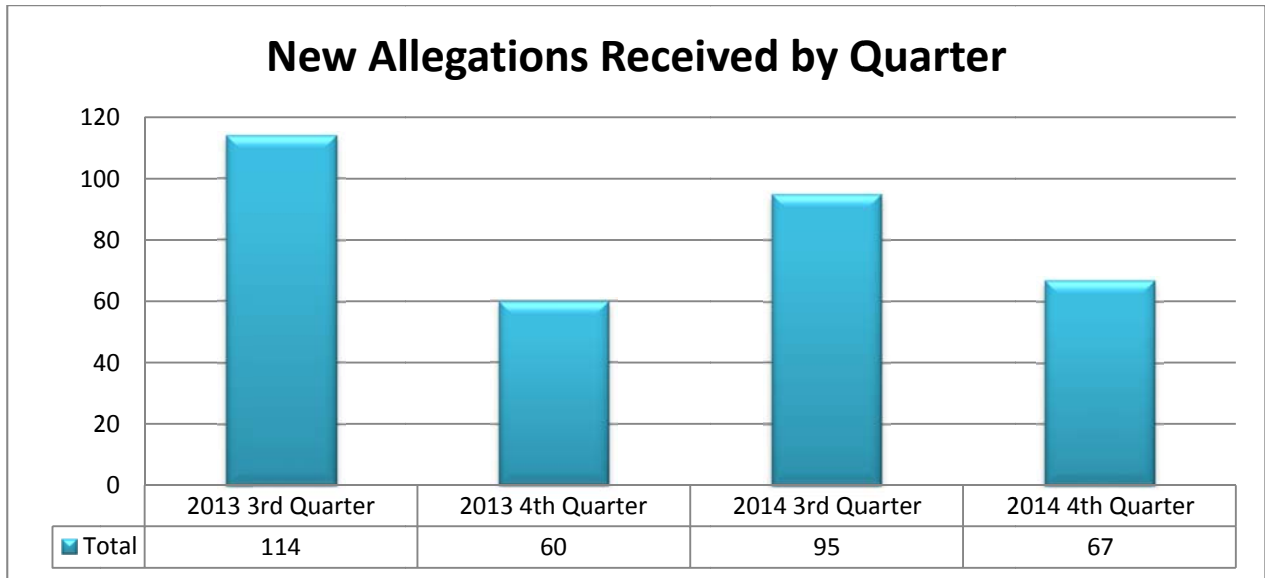
For the 4th quarter, there were 67 new allegations received, 103 completed investigations and 89 investigations are still pending.

From the 103 completed investigations, 36 were referred to Managers Services for action. Managers Services reviewed and completed 9 out of the 36 completed investigations and 27 are still pending for action. Disciplinary actions range from counseling and memo to the Official Personnel File and supervisor's drop file to adverse action.

The table below lists the new allegations received in the fourth quarter.

Allegation Type	Source Ethics Hotline	Management Referral	Privacy Office	Total
Accounting and Financial Control	0	0	0	0
Claims Practices	0	0	0	0
Compliance and Regulatory Matters	0	0	0	0
Conflict of Interest	3	2	0	5
Data Security Breach	10	1	19	30
Human Resources	17	14	0	31
Information Security	0	0	0	0
Other	1	0	0	1
Vendor and Contract Relations	0	0	0	0
Total	31	17	19	67

The chart below shows a comparison of new allegations received in the in the 3rd and 4th quarter of 2013 and the 3rd and 4th quarter of 2014.



The chart below shows a comparison of completed investigations in the 3rd and 4th quarter of 2013, and the 3rd and 4th quarter of 2014.

