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Date: May 2, 2014

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 5 - Whistleblower Hotline
II. NAME AND PROGRAM:	Andreas Acker, Human Resources and Dante Robinson, Internal Audit
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 Hotline activity and totals for 1st Quarter 2014.

VI. ANALYSIS:

There were 52 reports received for the first quarter.

- a. Ethics Hotline – 20
- b. Management Referral – 9
- c. Privacy – 23

Thirty seven substantiated allegations were primarily from employees transmitting their own personal identifying information (PII) to a non-State Fund e-mail account. None of the 37 substantiated allegations were material to State Fund's financial statements, although the majority was in violation of State Fund's Code of Conduct and its supporting policies.

State Fund continues to educate its employees of the importance of protecting PII and proprietary information. This education is completed through various training courses including annual Code of Conduct training. In addition, appropriate messaging related to protecting information is posted on State Fund's intranet site as well as the daily login acknowledgment an employee must affirm prior to gaining access to State Fund's computer system.

Human Resources continues to take an active role in determining and administering the appropriate level of discipline when an employee commits a security breach. The majority of the 37 substantiated allegations resulted in the employee receiving a memo

to their Official Personnel File as these actions are a violation of State Fund's Code of Conduct. HR is in the process of drafting an adverse action as result of an employee who transmitted PII for the purpose of completing work for the benefit of her secondary employment.

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 were either NPPI or confidential business related data, management will continue to educate State Fund Workforce of their responsibility for preventing the improper disclosure or use of private/confidential information.

VIII. APPENDIX: 2014 1st Quarter Ethics Hotline Report



APPENDIX: 2014 1st Quarter Ethics Allegations Report (Open Session)
1/1/2014 – 3/31/2014

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 1st quarter, there were 52 new allegations received, 51 completed investigations and 79 investigations that are still pending.

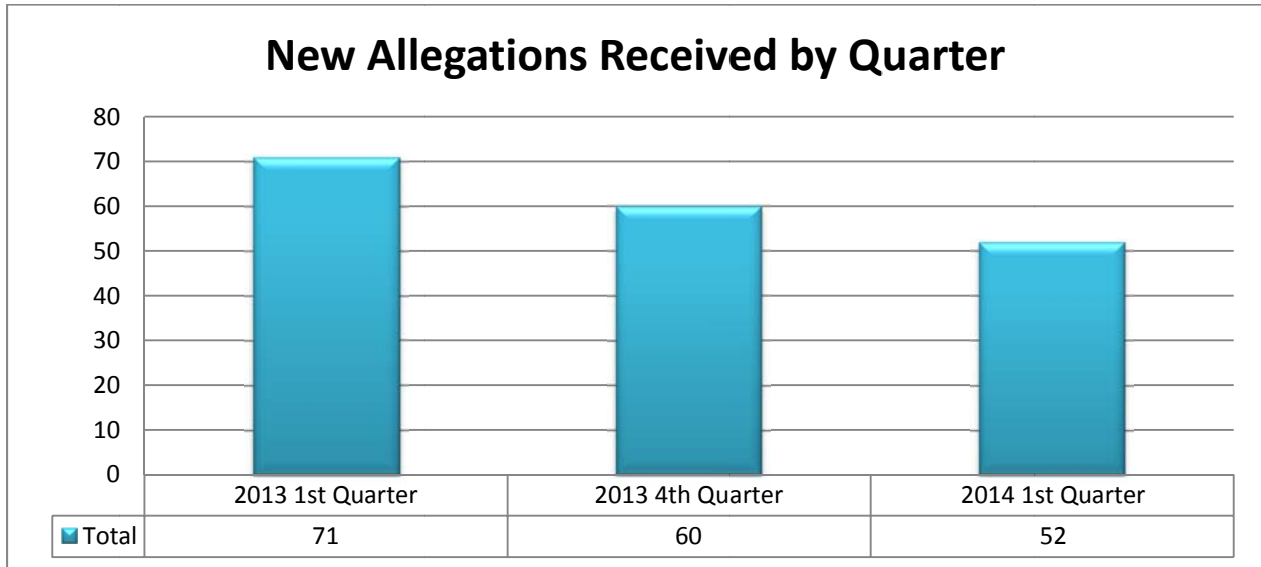
Corporate Investigation (CI) completed 43 investigations, Privacy Office completed 3 and 5 were completed by other programs (such as allegations of claims mishandling being researched by the Claims program). 58 of the pending investigations were assigned to CI.

From the investigations 49 were referred to Performance Development (PD) for action with 29 completed and 20 pending. Disciplinary actions range from memos to the employees file to formal adverse action.

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

Allegation Type	Source			Total
	Ethics Hotline	Management Referral	Privacy Office	
Accounting and Financial Control	0	1	0	1
Claims Practices	1	0	0	1
Compliance and Regulatory Matters	2	0	0	2
Conflict of Interest	1	1	0	2
Data Security Breach	6	1	23	30
Human Resources	10	6	0	16
Information Security	0	0	0	0
Other	0	0	0	0
Vendor and Contract Relations	0	0	0	0
Total of New Allegations	20	9	23	52

The chart below shows a comparison of new allegations received in the 1st quarter of 2013, 4th quarter of 2013 and the 1st quarter of 2014.



The chart shows a comparison of completed investigations in the 4th quarter of 2012, 3rd quarter of 2013 and the 4th quarter of 2013.

