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Date: November 7, 2014

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 3rd quarter of 2014.

VI. ANALYSIS:

There were 95 reports received for the third quarter from the following sources:

- a. Ethics Hotline – 42
- b. Management Referral – 24
- c. Privacy Office - 29

There were 39 substantiated allegations out of the 74 completed investigations in the third quarter. There were 35 not substantiated allegations. Thirty 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 30 substantiated privacy allegations were material to State Fund's financial statements, although the majority were in violation of State Fund's Code of Conduct and its supporting policies. The remaining 9 cases involved favoritism and unfair practices, sexual harassment, time theft, misuse /abuse of time and funds, conflict of interest, claims practices and misconduct, inappropriate and/or offensive behavior.

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. The majority of the 24 substantiated allegations resulted in the employee receiving a memo to the supervisor's drop file and memo to their Official Personnel File as these actions are a violation of the Code of Conduct. A first time offense has no adverse impact to 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 Workforce members on their responsibility to prevent the improper disclosure or use of private/confidential information.

VIII. APPENDIX: 2014 3rd Quarter Ethics Hotline Report



**APPENDIX: 2014 3rd Quarter Ethics Allegations Report (Open Session)
July 1, 2014 – September 30, 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.

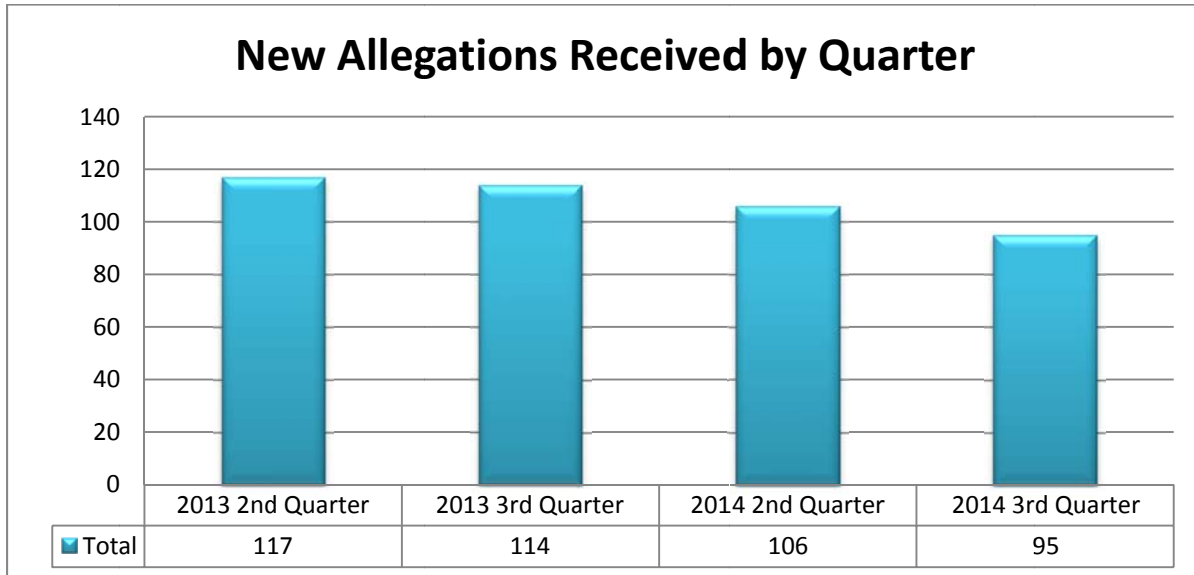
For the 3rd^d quarter, there were 95 new allegations received, 74 completed investigations and 140 investigations are still pending.

From the 74 completed investigations, 59 were referred to Managers Services for action. Managers Services reviewed and completed 44 out of the 59 completed investigations and 15 are still pending for action. Disciplinary actions range from counseling and memo to supervisor's drop file to adverse action.

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

Allegation Type	Source			Total
	Ethics Hotline	Management Referral	Privacy Office	
Accounting and Financial Control	1			1
Claims Practices	1			1
Compliance and Regulatory Matters	0	0	0	0
Conflict of Interest	1			1
Data Security Breach	14		29	43
Human Resources	20	23		43
Information Security	0	0	0	0
Other	1	1		2
Vendor and Contract Relations	4			4
Total	42	24	29	95

The chart below shows a comparison of new allegations received in the in the 2nd and 3rd quarter of 2013 and the 2nd and 3rd quarter of 2014.



The chart below shows a comparison of completed investigations in the 2nd and 3rd quarter of 2013, and the 2nd and 3rd quarter of 2014.

