



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
March 10, 2010
9:00 a.m.**

**SAIF Corporation
400 High Street SE
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 9:00 a.m.

Roll Call:

Catherine Travis
John Endicott

SAIF Corporation Personnel Present:

Brenda JP Rocklin, President and CEO
Mike Mueller, Senior Vice President of Claims and Legal Services
Michelle Graham, Vice President of Claims
Michael Hartman, Vice President of Underwriting Services
Theresa McHugh, Vice President of Financial Services
Garry Robinson, Vice President of Information Services
Colleen Sealock, Vice President of Operations and Human Resources
Cathy Pollino, Chief Internal Auditor
Jerry Dykes, Chief Financial Officer
Gina Manley, Financial Reporting Manager
Sara Bayes, Executive Assistant

Other Attendees:

Kelly Bosch, Senior Manager, Moss Adams
Greg Damon, Senior Manager and IT Specialist, Moss Adams
Scott Simpson, Partner, Moss Adams

Approval of Audit Committee Minutes

Motion Ms. Travis, second Mr. Endicott, to approve the minutes of the December 9, 2009 meeting. The vote was unanimous, and the motion was carried.

Secretary of State Financial Audit

Cathy Pollino introduced Scott Simpson, Partner with Moss Adams, who is under contract with the Audits Division of the Oregon Secretary of State's office to conduct SAIF's next financial audit. Mr. Simpson reviewed the roles and responsibilities of both Moss Adams and SAIF for the preparation and audit of SAIF's 2009 statutory and GAAP financial statements.

Mr. Simpson advised that the auditor independence letter dated March 10, 2010 recognizes Moss Adams as an unbiased reviewer of financial information and certifies that there is no prior relationship between Moss Adams and SAIF. He also addressed planned audit timing and reporting.

Kelly Bosch reviewed the audit approach and objectives. She reported that preparation for the audit has begun.

Greg Damon reported that an assessment of SAIF's IT controls is in the final stages. The IT report will identify any significant risks associated with relying on system input, storage, and output of data. He reported that so far the risk level is low.

Jerry Dykes noted that Moss Adams will rely on Oliver Wyman's review for the actuarial portion of the audit.

Ms. Rocklin asked that Cathy Pollino and Theresa McHugh inform Moss Adams of SAIF's process of disposal of sensitive and confidential information.

Premium Audit: Audit Selection Follow Up

Ms. Pollino reported that this follow-up audit focused on the selection of compliance audits. There was significant improvement since the last audit. Internal Audit recommended a system fix to identify missed compliance audits, and the use of an exception report to identify missed audits until the system fix can be completed.

SAIF Corporation: Sensitive and Confidential Information Disposal

Ms. Pollino informed the committee that this audit focused on the disposal of paper records containing sensitive or confidential information. The audit was conducted at the request of SAIF management. Overall results were positive; the audit found that SAIF employees are taking appropriate action when disposing of sensitive and confidential information. The one exception was the disposal of information by an external auditor from the Department of Consumer and Business Services. Internal Audit recommended that management periodically remind employees of their responsibilities regarding disposal of confidential and sensitive information and ensure that external contractors and reviewers are aware of SAIF's policies. In addition, SAIF needs to make sure that workspaces have disposal bins that are clearly marked.

SAIF Corporation: Expense Reimbursement Audit

Ms. Pollino reported that Internal Audit reviewed employee expense reimbursements at management's request to determine if the reimbursements followed SAIF policy. Employee expense reimbursements for the 4th quarter of 2009 were reviewed. The audit determined that, with only a few exceptions, SAIF employees were prudent with their spending, and employee reimbursements were made in accordance with SAIF policy. Internal Audit recommended improving supporting documentation and supervisory review, and developing a resource for employees to get the best prices for hotels and other common purchases.

Claims Division: Weekly Wage Audit

Ms. Pollino advised the committee that the purpose of this audit was to review the accuracy of weekly wage determinations that govern time loss payments to injured workers. The audit found that 14 of 184 time loss claims were over or under paid greater than \$50 over the life of the claim. Internal Audit recommended the development of guidance for adjusters on when payroll records are needed and when

wage audits should be conducted. The audit also recommended a review of the process currently used to trigger a wage audit.

Audit Update Report

Ms. Pollino updated the committee on the audits in process and informed the committee that adequate progress was being made on implementing prior audit recommendations.

Other Business

Ms. McHugh reported that SAIF's 1st quarter financial reports were filed March 1, 2010. Committee members did not express any problems with the process used to deliver financial reports to committee members prior to issuance.

Future Meetings

The next Audit Committee meeting will be on June 9, 2010 in conjunction with the Board of Directors' meeting at a location to be determined.

EXECUTIVE SESSION

Chief Internal Auditor's Performance

At approximately 9:44 a.m., the Audit Committee declared this portion of the meeting to be in Executive Session, pursuant to ORS 192.660(2)(i), to allow the Audit Committee to discuss Ms. Pollino's performance.

End of Executive Session

At approximately 9:58 a.m., the Executive Session ended and the Audit Committee returned to Regular Session.

Regular Business Meeting

Motion Ms. Travis, second Mr. Endicott, to approve the performance rating and salary adjustment for Ms. Pollino based on her 2009 performance. The vote was unanimous, and the motion was carried.

The Audit Committee members also met with SAIF's Chief Internal Auditor without other SAIF employees present.

There being no further business, the meeting adjourned at 10:00 a.m.

Sara Bayes, Executive Assistant to the Board