



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
December 14, 2016
9:00 a.m.**

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

After determining a quorum was present, the meeting was called to order at 9:02 a.m. Inclement weather led to a decision for committee members to participate via phone.

Roll call:

Kevin Jensen
Maurice Rahming

SAIF Corporation personnel present:

Kerry Barnett, President and CEO
Bill Barr, Chief Operating Officer
Ken Collins, Chief Information Officer & Chief Technology Officer
Kathy Gehring, Vice President of Claims
Gina Manley, Vice President of Finance and Chief Financial Officer
Marsha Malonson, ASD Director
Cathy Pollino, Chief Internal Auditor
Kambra Hinman, Corporate Internal Auditor
Robert Johnson, IT Internal Auditor
Kelly Miller, Assistant to the Board

Approval of Audit Committee minutes

Upon motion duly made and seconded, the minutes from the September 14, 2016, meeting were unanimously approved.

Salem Campus Project: Review of Contract and Invoice Monitoring Processes

Cathy Pollino presented results from an audit looking at the contract and invoice monitoring processes for the Salem Campus project. As part of this audit, Internal Audit compiled a list of best practices to manage contractors' invoices and applications for payment, and compared those practices to those being used on SAIF's project to ensure invoices are thoroughly reviewed and approved prior to payment. The audit looked at eight invoices from seven contractors and found evidence that all of the best practices were in place. All questions were answered sufficiently and Ms. Pollino found no issues with how invoices were being monitored. Parts of this process will be reviewed again later in the project.

SAIF Corporation: Review of Building Access

Robert Johnson presented results from the building access audit which includes employee and vendor access to SAIF buildings, as well as access to server and computer rooms and network closets. Access to SAIF's facilities are primarily controlled by electronic access cards. However, a number of hard keys still exist and in a few instances the hard key inventory did not align with the hard keys in an employee's possession. Staff responded



to question from committee members regarding electronic, versus hard key access for the new building.

In addition, employees are required to visibly wear identification badges while at SAIF facilities. After walking through four SAIF offices it was determined that approximately 81% of staff were in compliance with this policy. In addition, Internal Audit found a few employees with access to server and computer rooms that did not need this access. Through the audit, Internal Audit identified improvements that could be made to the key card design.

Claims Division: Review of Compensability Investigations

Cathy Pollino reported the purpose of this audit was to determine whether compensability investigations were responsive to adjusters' request for information. Out of 51 compensability investigations reviewed, all but one was found to be responsive.

SAIF Corporation: Dividend Issuance Review

Robert Johnson reported results on the dividend issuance audit. Internal Audit looked at the manual processes used when SAIF issues a dividend. All of the processes worked correctly. Only two issues were identified, however those were fixed before the dividend checks went out.

Internal Audit Update

The committee was provided with a list of the projects currently in process and a list of internal audit reports and management letters issued since the last committee meeting.

Review of risk assessment and approval of 2017 Internal Audit Plan

Referring to materials provided in advance of the meeting, Ms. Pollino reviewed SAIF's annual risk assessment and the high level risk heat map. She also reported on Internal Audit's list of recommended audits for inclusion in the 2017 Internal Audit Plan.

Upon motion duly made and seconded, the 2017 Internal Audit Plan was unanimously approved.

Adjournment

There being no further business, the meeting was adjourned at 9:31 a.m.



Kelly Miller, Executive Assistant to the Board