



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
March 13, 2019
10:00 a.m.**

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

After determining a quorum was present, the meeting was called to order at 10:10 a.m.

Roll call:

Maurice Rahming
John Mohlis

SAIF Corporation personnel present:

Bill Barr, Chief Operating Officer
Ken Collins, Chief Information Officer and Chief Technology Officer
Kathy Gehring, Vice President of Claims
Gina Manley, Vice President of Finance and Chief Financial Officer
Bridgette Matthews, Assistant Vice President of Claims
Cathy Pollino, Chief Internal Auditor
Kambra Hinman, Internal Auditor
Shelby Bachelor, Internal Auditor
Robert Johnson, Internal Auditor
Todd Graneto, Controller
Kevin Grainey, Financial Reporting Manager
Kelly Carriger, Executive Assistant to the Board

Other attendees:

Michelle Rock, Secretary of State Audits Division
Scott Simpson, Moss Adams
Ashley Osten, Moss Adams
Eric Nicolson, Moss Adams – via phone

Minutes

Upon motion duly made and seconded, the minutes from the December 12, 2018 meeting and December 13, 2017 meeting were unanimously approved.

External financial audit entrance meeting

An entrance meeting presentation was made by Moss Adams covering required communications, audit objectives, responsibilities of Moss Adams and of SAIF, the audit approach of Moss Adams, and the timeline for the audit.

Follow-up audit on permanent partial disability

Ms. Pollino reported the purpose of this follow-up audit of the claims services division permanent partial disability award calculations was to determine if the awards were being calculated accurately, and whether the secondary review process was being followed. Internal audit reviewed 106 permanent partial disability awards and found that 95.3% were accurate. Of the five found to be inaccurate, four were underpayments and one was an overpayment. Internal audit made three recommendations which management agrees with.

Ms. Matthews and Ms. Pollino answered questions from the Directors regarding training, continuity, and number of staff involved in this process.

Follow-up audit on Other States Coverage policy pricing

Ms. Bacheller reported the purpose of this audit was to follow up on the 2014 report and determine if Other States Coverage policy pricing decisions were appropriate and properly documented. SAIF partners with Zurich and United States Insurance Services to offer these services. Internal audit found the pricing decisions appeared reasonable with one recommendation which management has already responded to.

Ms. Bacheller and Ms. Manley answer questions for the Directors seeking clarification on SAIF's integration with Zurich and the Other States Program benefits for SAIF.

Review of security incident response and management

Mr. Johnson presented a review of the maturity of SAIF's security incident response to verify processes are in place to ensure security incidents are handled appropriately. Internal audit reviewed relevant policies and procedures and SAIF's draft security incident response plan. This plan was found to address each of the four phases of security incident response identified by the National Institute of Standards and Technology. One recommendation was made which management agrees with and will complete by the end of the fourth quarter of 2019.

Review of configuration management

Mr. Johnson reported the purpose of this audit was to review the maturity of SAIF's configuration management processes and verify processes are in place to ensure systems are configured appropriately. Relevant policies and procedures were reviewed as well as the process for initializing, changing, and monitoring the configuration of SAIF's systems. Internal audit found that SAIF has processes in place to address each of the four phases of configuration management as identified by the National Institute of Standards and Technology. Two recommendations were made which management agrees with.

Model audit rule internal control testing update

Ms. Pollino reported there are a total of 75 internal control tests for the 2018 statement review. As of March 7, we have completed 33.

Internal audit update

Ms. Pollino spoke briefly on the internal audit update which reports the status of the audits currently in progress.

Review of 2018 audit plan

Ms. Pollino briefly reviewed the 2018 internal audit plan which lists all audits that have been completed or are in progress.

Review of audit charters

Review of the internal audit charters is an annual requirement. At this time, we do not recommend any changes.

Upon motion made and seconded, the internal charters were unanimously approved as presented.

The committee members met with internal audit without management present.

Adjournment

There being no further business, the meeting was adjourned at 10:57 a.m.



Kelly Carriger, Executive Assistant to the Board