



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
March 14, 2018
10:00 a.m.**

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

After determining a quorum was present, the meeting was called to order at 10:01 a.m.

Roll call:

Maurice Rahming

SAIF Corporation personnel present:

Kerry Barnett, President and CEO
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
Jennifer Webster, Vice President of Human Resources
Bridgette Matthews, Assistant Vice President of Claims
Cathy Pollino, Chief Internal Auditor
Kambra Hinman, Internal Auditor
Shelby Bachelor, Internal Auditor
Todd Graneto, Controller
Kevin Grainey, Financial Reporting Manager
Kelly Miller, Executive Assistant to the Board

Other attendees:

Michelle Rock, Secretary of State Audits Division
Tony Andrade, Moss Adams
Ashley Osten, Moss Adams
John Mohlis, guest

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 Corporate and Executive Incentive Measures

Ms. Pollino presented a review of the follow up audit on corporate and executive incentive measures. In October 2016, SAIF's CEO announced changes to SAIF's compensation structure, which included a one percent corporate incentive for all employees if three out of four performance goals were met during 2017. SAIF also modified its executive compensation plan for senior management to include a variable amount of incentive pay based on the degree to which targets were met. Internal audit did validate that SAIF met three of the four corporate incentive measures. Three recommendations were made for which management agrees with.

Information Services Division: Review of Project Management

Ms. Pollino reported for Mr. Johnson on an audit of information services project management methodology for alignment with best practices. Internal audit reviewed five projects and found SAIF's information services project management generally aligns with best practices. Internal audit had two recommendations which management agrees with.

Mr. Collins responded to questions from Mr. Rahming regarding the use and timing of collected data.

Human Resources Division: Review of Employee Recruitments

Ms. Bacheller reported the objective of this audit is to compare recruiting practices with industry standards, including, but not limited to, methods of recruitment, application screening and scoring, background checks, and communications. Internal audit made four recommendations which management agrees with and has begun implementing.

Financial Services Division: Review of Unclaimed Property

Ms. Bacheller reported on the audit of unclaimed property. The purpose of this audit was to review controls surrounding SAIF's handling and reporting of unclaimed property, including the extent to which due diligence is performed to locate rightful property owners. Internal audit made two recommendations which management agrees with.

Ms. Bacheller and Ms. Manley responded to questions from Mr. Rahming regarding specific goals. Ms. Manley reported a temporary employee has been hired solely for this work which will improve due diligence and turnaround times.

Model audit rule internal control testing update

This is the first year that SAIF needs to formally report to our regulator the status of our internal controls over financial reporting. So far, we have no reportable findings.

Internal audit update

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

Review of 2017 audit results and customer survey

Ms. Pollino shared the status of the 2017 internal audit plan and the results of the internal audit customer survey.

Adjournment

There being no further business, the meeting was adjourned at 10:50 a.m.



Kelly Carriger, Executive Assistant to the Board