



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
March 15, 2017
9:45 a.m.**

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

After determining a quorum was present, the meeting was called to order at 9:46 a.m.

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 and Chief Technology Officer
Kathy Gehring, Vice President of Claims
Gina Manley, Vice President of Finance and Chief Financial Officer
Bridgette Matthews, Claims Director
Marsha Malonson, ASD Director
Cathy Pollino, Chief Internal Auditor
Kambra Hinman, Corporate Internal Auditor
Scott Turner, Controller
Robert Johnson, IT Internal Auditor
Kelly Miller, Assistant to the Board

Other Attendees:

Julianne Kennedy, Secretary of State Audits Division
Michelle Rock, Secretary of State Audits Division
Tony Andrade, Moss Adams
Scott Simpson, Moss Adams
Ashley Osten, Moss Adams

Approval of Audit Committee minutes

Upon motion duly made and seconded, minutes from the December 14, 2016, 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. Questions were addressed regarding the communication process during the audit.

Ms. Pollino reported hiring Shelby Fleming as our new auditor. Ms. Fleming has an MBA and is a certified fraud examiner.

Accuracy of time-loss payments

Ms. Hinman presented a review of the follow up audit on the accuracy of time-loss payments. Injured workers who are unable to perform all or part of their job duties are paid time-loss to compensate for lost earnings. Accuracy is dependent on the information received from injured workers and employers. We sampled 97 time-loss claims and found the error rate increased slightly from prior audits. The primary source of the errors is prorated wages. Audit made four recommendations to management. They have agreed and action plans are in place.

Ms. Hinman and Ms. Pollino responded to questions from committee members regarding how measures of the audit are determined and who is conveying the inaccurate wage information.

Business continuity and disaster recovery

Mr. Johnson reported on the review of business continuity management and disaster recovery. This is the process by which an organization prepares for future incidents such as power outages, fires, earthquakes, or pandemic illness. We found that SAIF had documentation in support of business continuity management, with some additional focus needed in the area of awareness and training.

Model audit rule internal control status report

As part of next year's financial statements, SAIF will need to formally report to our regulator the status of our internal controls over financial reporting. Ms. Pollino, referring to the MAR Testing Summary included in the audit packet, reported these tests are scheduled to be completed by June and she does not expect any significant deficiencies.

Review of 2016 audit results and customer survey

Ms. Pollino shared the status of the 2016 internal audit plan and the results of the internal audit customer survey.

Annual review of the audit committee charter and the internal audit charter

The required annual review of both the audit committee charter and the internal audit charter were completed. No changes were recommended to either charter.

Internal audit staff met with the committee members without management present.

Adjournment

There being no further business, the meeting was adjourned at 10:47 a.m.



Kelly Miller, Executive Assistant to the Board