



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
September 4, 2019
8:30 a.m.**

**SAIF Corporation
400 High St. SE
Salem, Oregon**

After determining a quorum was present, the meeting was called to order at 8:37 a.m.

Roll call:

John Mohlis
Krishna Balasubramani

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
Ian Williams, Vice President of Human Resources
Laura Robison, Vice President of Actuarial, Audit, and Underwriting Services
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:

Julie Kennedy, Secretary of State
Ashley Osten, Moss Adams
Eric Nicholson, Moss Adams
Scott Simpson, Moss Adams

Approval of Audit Committee minutes

Upon motion duly made and seconded, the minutes from the March 13, 2019, meeting were unanimously approved.

External financial audit entrance meeting

Scott Simpson, Eric Nicholson, and Ashley Osten, with Moss Adams, presented their audit results on SAIF Corporation's 2018 financial statements. The Secretary of State

Audits Division reviewed the work performed by Moss Adams prior to issuance of their report.

Moss Adams performs an audit of the financial statements prepared in accordance with statutory accounting practices and an audit of SAIF's financial statements prepared in accordance with generally accepted accounting principles (GAAP). In addition, Moss Adams issues a report on internal control over financial reporting. Moss Adams identified no material misstatements or significant deficiencies in the course of the audit. There were no changes in significant accounting policies, significant accounting estimates, or financial statement disclosures that impacted the financial statements. SAIF staff were responsive to Moss Adams' requests, well organized, and Moss Adams staff had access to all records needed for the audit.

Ms. Manley reported that Oliver Wyman conducted its annual actuarial evaluation of SAIF's financial viability and loss adjustment expense reserves as of December 31, 2018. Oliver Wyman concluded that SAIF had sufficient surplus and the reserves were within a reasonable range.

The audited financial statements and Oliver Wyman report were made available for the Audit Committee.

The Audit Committee then met with the representatives of Moss Adams and the Oregon Secretary of State without SAIF employees present and met with SAIF's financial reporting and actuarial staff (Gina Manley, Todd Graneto, Kevin Grainey, Laura Robison) without other SAIF employees present. Internal audit staff also met with the committee members without management present.

Management's report of internal control over financial reporting

Ms. Pollino presented a report on the results of SAIF's annual internal control assessment. Internal audit assessed the effectiveness of SAIF's internal control over financial reporting, which included identifying, reviewing, monitoring, and testing significant internal controls. Internal audit concluded SAIF's internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of statutory financial statements as of December 31, 2018.

Review of dependent benefit verification process

Ms. Pollino reported the purpose of this audit was to determine if the new dependent benefit verification process was effective, and if there were changes that should be made to the process. Internal audit found the review process for new dependents is working well. Human resources is working on establishing a process to periodically audit active employees, to verify eligibility of spouses and domestic partners, and to see if the correct amount of premium share is being charged.

Ms. Pollino responded to a question from Mr. Balasubramani regarding the selection process for the list of internal audits.

Follow-up audit on employee background and reference checks

Ms. Bacheller reported on the follow-up audit on employee background and reference checks to determine if necessary changes were made to the background and reference check processes. Overall, the background and reference check processes have improved, however opportunities still exist. Recommendations involve timing, documentation requirements, a formalized review of out-of-state or other charges, and addressing the Federal crime bill of 1994 formally in procedures. Management agrees with these suggestions and has begun implementing changes.

Review of changes to the system-approved medical bill process

Ms. Hinman reported the purpose of this audit was to determine the reasonableness of changes made to the automated system-approved medical bill process. Seven categories of system-approved bills were reviewed and found to be reasonable, with a few minor exceptions.

Ms. Pollino and Ms. Gehring responded to questions from Mr. Balasubramani on the system-approval process and if SAIF has plans to expand the number of bills included.

Review of vendor management practices

Ms. Hinman reported the purpose of this audit was to evaluate SAIF's vendor management processes to determine if they align with best practices. Internal audit reviewed eight, high-level vendor management practices and found that overall, SAIF divisions utilize many best practices. However, the best practices were not used consistently across divisions and opportunities for improvement exist. Internal audit made one recommendation which management agrees with and expects to have completed in the third quarter of 2019.

Guidewire internal controls update

Mr. Johnson reported the purpose of two audits in a series of audits was to determine if automated premium calculations and automated collection processes were working as expected in SAIF's new policy system, Guidewire. Internal audit found that both processes were working as intended.

Ms. Pollino and other members of management responded to questions from Mr. Balasubramani regarding outside contractors.

Internal audit update

Ms. Pollino spoke briefly on the internal audit update, which reports the status of the audits currently in progress. She also spoke about internal audit's consultation projects that are used for less formal audits.

Adjournment

There being no further business, the meeting was adjourned at 9:45 a.m.



Kelly Carriger, Executive Assistant to the Board