



**SAIF CORPORATION**

**BOARD OF DIRECTORS AUDIT COMMITTEE**

**Wednesday  
September 12, 2018  
8:30 a.m.**

**SAIF Corporation  
1500 SW 1<sup>st</sup> Avenue  
Portland, Oregon**

After determining a quorum was present, the meeting was called to order at 8:34 a.m.

**Roll call:**

Maurice Rahming  
John Mohlis

**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, 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 Miller, Executive Assistant to the Board

**Other attendees:**

Michelle Rock, via phone, Secretary of State  
Julie Kennedy, via phone Secretary of State  
Tony Andrade, Moss Adams  
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 14, 2018, meeting were unanimously approved.

**External financial audit entrance meeting**

Scott Simpson, Tony Andrade, Eric Nicholson, and Ashley Osten, with Moss Adams, presented their audit results on SAIF Corporation's 2017 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.

Moss Adams responded to questions from Mr. Mohlis regarding communication and procedure in the event of an audit finding and SAIF's length of contract with Moss Adams.

Todd Graneto reported that Oliver Wyman conducted its annual actuarial evaluation of SAIF's financial viability and loss adjustment expense reserves as of December 31, 2017. Oliver Wyman concluded that SAIF has sufficient surplus and the reserves are 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 staff (Gina Manley, Todd Graneto, and Kevin Grainey) 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 statutory financial reporting, which included identifying, reviewing, monitoring, and testing significant internal controls. SAIF's internal control over statutory financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of statutory financial statements as of December 31, 2017.

#### **Review of new corporate incentive measures**

Ms. Pollino reported the purpose of this audit was to review the accuracy and reliability of the data used for the two new corporate incentive measures for 2018, which were timely first benefit payments to injured workers and internal safety engagement. Internal audit found both numbers for the first quarter needed to be corrected. As a follow up, internal audit looked at the second quarter results for both measures and concurred with the reported results.

#### **Review of mobile and personal computing device security**

Mr. Johnson presented findings on the audit designed to evaluate controls for protecting SAIF's sensitive and confidential information accessed via mobile and personal computing devices. Mobile device security was last reviewed by internal audit in 2012, with a follow-up audit in 2013. Since the last review, internal audit noted significant improvements in the configuration of important security controls on SAIF-issued laptops. Internal audit noted three opportunities for improvement, some of which are currently being addressed.

Mr. Johnson and Mr. Collins responded to a question from Mr. Rahming regarding the timeline for completion of these opportunities.

#### **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.

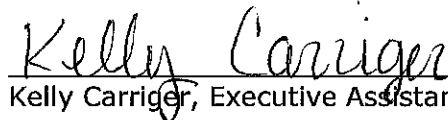
Ms. Bachelor spoke briefly on two consultation projects. The Salem Campus renovation asset handling and disposition was a non-routine project that included the purchase and disposition of a large quantity of assets. This consultation reviewed asset handling and disposition processes and provided observations on receiving, storage, and transfer of items; inventory practices; and asset disposition considerations. The payroll processes consultation project gathered information on SAIF's current payroll processes, and provided management a list of tasks being completed and the criticality of those tasks.

Ms. Hinman reported on the claims fast track data review consultation. This project analyzed the incoming claims data and the claim setup process to determine how frequently key information fields were blank, the importance of the information to the new claims intake process, and the steps taken to obtain missing information.

Mr. Johnson reported on the Salem Campus Building security consultation. This preliminary review was conducted shortly after employees moved into the newly renovated High Street building. A formal review will be conducted after systems have been fully commissioned, training has been completed, new processes are in place, and known issues are addressed.

**Adjournment**

There being no further business, the meeting was adjourned at 9:37 a.m.

  
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Kelly Carriger, Executive Assistant to the Board