



SAIF CORPORATION

BOARD OF DIRECTORS AUDIT COMMITTEE

**Wednesday
September 14, 2016
8:30 a.m.**

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

After determining a quorum was present, the meeting was called to order at 8:35 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 & Chief Technology Officer
Kathy Gehring, Vice President of Claims
Gina Manley, Vice President of Finance and Chief Financial Officer
Holly O'Dell, Vice President of Legal and Strategic Services
Cathy Pollino, Chief Internal Auditor
Joe Nhem, Actuarial Research Director
Al Bowen, Procurement Manger
Kambra Hinman, Corporate Internal Auditor
Scott Turner, Controller
Robert Johnson, IT Internal Auditor
Amy Dale, Corporate Internal Auditor
Kelly Miller, Assistant to the Board

Other Attendees:

Michelle Rock, Secretary of State Audits Division
Tony Andrade, Moss Adams
Scott Simpson, Moss Adams

Approval of Audit Committee minutes

Upon motion duly made and seconded, the minutes from the March 16, 2016, meeting were unanimously approved.

Follow-up Audit on Contract Management Practices

Kambra Hinman presented the follow-up audit on contract management practices. Actions taken in response to the original 2014 audit include the establishment of a procurement unit staffed with three additional employees, improved record keeping, and updated contracting procedures. Holly O'Dell reported the new procurement unit is strengthened through centralized functions. Next steps include training and collaboration with each division so business partners understand procedures, policy and the reasoning behind recommendations.



Claims Division: Review of Compensability Process

Cathy Pollino presented a review on the compensability process for the Claims Division. Compensability adjusters review claims when they are submitted to SAIF to determine whether to accept or deny the claims. In 87% of disabling claims reviewed, the necessary work-up was completed. This is an 11% improvement from the last time we audited this area in 2007. Areas for improvement include determining if the injury was within the scope of employment or brought on by a prior injury and also making sure there is thorough documentation of the claim. Recommendations were shared with claims, some of which have already been implemented.

Dividend System Review

Robert Johnson reported on the dividend system review. This audit reviewed changes that were made to the dividend system to allow for the calculation of loss-based dividends and found that the system was completely and accurately processing dividends based on established business rules.

Review of Oracle Database Migration and Upgrade

Robert Johnson reported that overall, the project to upgrade and migrate SAIF's core database servers from a physical to a virtual server environment was successful, and important control practices were performed during the project.

Review of Accounting Assumptions and Application for the Salem Campus Project

Amy Dale presented findings from the review of accounting assumptions and application audit. The accounting assumptions were found to be appropriate, sufficiently documented, consistently applied, and in compliance with standards. The reviewed accounting decisions were made in consultation with project and accounting staff, and were documented and supported. The invoices reviewed showed that accounting classifications and project allocations were consistently applied, accurate and in accordance with the documented assumptions.

Audit update report

Referring to materials provided in advance of the meeting, Ms. Pollino shared the status of audits currently in progress and encouraged Directors to contact Internal Audit with suggestions for future audits. The proposed audit plan for 2017 will be presented at the December Audit Committee meeting.

External financial audit

Scott Simpson and Tony Andrade, with Moss Adams, presented their audit results on SAIF Corporation's 2014 financial statements. The Secretary of State Audits Division reviewed the work performed by Moss Adams prior to issuance of their report.

Moss Adams performs two audits: an audit of SAIF's financial statements that are prepared in accordance with generally accepted accounting principles (GAAP), and an audit of the financial statements prepared in accordance with statutory accounting practices. In addition, Moss Adams issues a report on internal control over the 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 was well organized and responsive to Moss Adams' requests, and Moss Adams staff had access to all records needed for the audit.

Joe Nhem reported that Oliver Wyman conducted its annual actuarial evaluation of SAIF's financial viability and loss and loss adjustment expense reserves as of December 31, 2015. Oliver Wyman concluded that SAIF has sufficient surplus and that the reserves are within a reasonable range.

The Audit Committee then met with the representatives of Moss Adams and the Oregon Secretary of State without SAIF employees present, and also met with SAIF's financial reporting staff (Gina Manley, Scott Turner, and Joe Nhem) without other SAIF employees present. Internal audit staff also met with the committee members without management present.

Adjournment

There being no further business, the meeting was adjourned at 9:52 a.m.



Kelly Miller, Executive Assistant to the Board