



**SAIF CORPORATION**

**BOARD OF DIRECTORS AUDIT COMMITTEE**

**Wednesday  
December 12, 2018  
9:00 a.m.**

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

After determining a quorum was present, the meeting was called to order at 9:02 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  
Gina Manley, Vice President of Finance and Chief Financial Officer  
Kathy Gehring, Vice President of Claims  
Bridgette Matthews, Assistant Vice President of Claims  
Cathy Pollino, Chief Internal Auditor  
Todd Graneto, Controller  
Kambra Hinman, Internal Auditor  
Robert Johnson, Internal Auditor  
Shelby Bacheller, Internal Auditor  
Rick Haynes, Total Rewards Manager  
Sherri Minkler, Distribution Services Manager  
Paul Rickey, Fleet Manager  
Kelly Carriger, Assistant to the Board

**Approval of Audit Committee minutes**

Upon motion duly made by Mr. Mohlis and seconded Mr. Rahming, the minutes from the September 12, 2018, meeting were unanimously approved.

**Follow-up audit on the accuracy of time-loss payments**

Ms. Hinman reported on the follow-up audit designed to review the accuracy of time-loss payments made to injured workers. Since the report issued in March 2017, improvements have been noted. Internal audit recommends management enhance the quality assurance process around time-loss payments and closure audits by the second quarter of 2019.

Ms. Pollino, Ms. Gehring and other members of internal audit answered questions from the Directors regarding how many claims were sampled, the steps taken in the event someone is over or under paid, and the \$50 benchmark.

**Review of OnBase system security**

Mr. Johnson reported on the audit to determine if appropriate processes were in place to secure sensitive and confidential documents in SAIF's new document management system,

OnBase. The system contained approximately 65 million documents and was growing by four million documents annually. We found the security requirements agreed to by the claims and underwriting divisions were appropriately implemented.

Two areas of improvement were identified. The first pertains to controlling administrator access to OnBase and the second to controlling indirect access to imaged documents. Management agrees and is already taking steps to improve the identified areas.

#### **Review of OnBase document indexing**

Ms. Bacheller reported the purpose of this audit was to review the indexing of claim documents in SAIF's document management system and determine if they were properly indexed. Based on our testing, 95.6 percent of the documents in OnBase align with the established taxonomy. Internal audit recommends claims and distribution services management review the identified inconsistencies and determine if additional guidance or training is needed. Management agrees with the recommendations.

#### **Review of SAIF's employee compensation process**

Ms. Pollino reported the purpose of this audit was to provide assurance that final salary adjustments and incentive payments were accurately calculated and processed for the new compensation process used for the 2018 focal review. A large majority of findings were a one-time event and we do not expect these to occur again. Internal audit made three recommendations which management agrees with. Mr. Hayes reported we have spent the entire year revamping and looking at this process which we expect to go much smoother this year.

#### **Review of SAIF employee vehicle travel**

Ms. Pollino reported the purpose of this audit was to review SAIF's business travel practices by vehicle and analyze the costs associated with different travel options. We found SAIF's employee business travel costs have steadily increased over the last ten years and the most economical travel choices were not always made. Internal audit made five recommendations which management agrees with.

Ms. Pollino answered a question from Mr. Rahming regarding anticipated savings.

#### **Dividend issuance review**

Ms. Pollino reported the purpose of this audit was to test the manual processes used to issue dividends, specifically the process to identify policies that did not qualify for a dividend due to being in default, to allocate dividends to wrap-up accounts, and to cap dividends at 95 percent of premium paid. The dividend issuance was a successful process and internal audit had no recommendations.

#### **Internal Audit update**

The committee was provided with a list of the projects currently in process and a list of internal audit reports and management letters issued since the last committee meeting.

**Review of risk assessments and approval of 2019 internal audit plan**

Referring to materials provided in advance of the meeting, Ms. Pollino reviewed SAIF's annual risk assessment and the high-level risk heat map. She also reported on internal audit's list of recommended audits for inclusion in the 2019 internal audit plan.

Ms. Pollino responded to questions from the Directors regarding the order and frequency of audits.

Upon motion duly made and seconded, the 2019 internal audit plan was unanimously approved.

**Adjournment**

There being no further business, the meeting was adjourned at 9:42 a.m.

  
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Kelly Carriger, Executive Assistant to the Board