

**STATE COMPENSATION INSURANCE FUND  
AUDIT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**February 17, 2016**

The Audit Committee met on February 17, 2016 at the State Fund Corporate Office, 333 Bush Street, 7<sup>th</sup> floor, San Francisco, California.

**AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 2:00 p.m. and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado (Ret.); Scott K. Reid; and William M. Zachry.

Absent by prior arrangement: Steven L. Rank

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter A. Guastamachio; General Counsel and Corporate Secretary Margie R. Lariviere; Chief of Internal Affairs Dante Robinson; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

**AGENDA ITEM 2: ANTITRUST ADMONITION**

Ms. Chalupa called attention to and requested confirmation that the Audit Committee members read State Fund's Antitrust Admonition, which is included in each Committee member's meeting materials.

**AGENDA ITEM 3: APPROVAL OF DECEMBER 9, 2015 AND JANUARY 6, 2016 OPEN MEETING MINUTES**

MOTION: Mr. Zachry

SECOND: Sen. Machado

To approve the minutes of the December 9, 2015 and January 6, 2016 Open Meetings of the Audit Committee as presented.

Ms. Chalupa requested public comment of which there was none. Ms. Chalupa called for the vote.

YES: 3

NO: 0

Abstain: 1

Motion carried.

Mr. Reid abstained from the vote since he was not a member of the Audit Committee in 2015.

**AGENDA ITEM 4: COMPLETED CLOSED AUDITS**

Ms. Chalupa noted that this item is read only, unless questions. She requested a brief update from Chief of Internal Affairs Dante Robinson.

Mr. Robinson noted that the Bakersfield Claims Operations Site Visit and File Review is the third office visited as part of the annual various office visits. There were two issues identified. The issues and action plans relate to improving controls over sending timely benefits notices and posting of case plans. Discussion ensued on the remediation and action plans. Mr. Robinson noted that expected remediation date is June 30, 2016. Internal Audit will conduct Audit testing to make sure management has addressed the issues.

#### **AGENDA ITEM 5: WHISTLEBLOWER HOTLINE**

Ms. Chalupa noted that this item is read only, unless questions. She requested a brief update from Executive Vice President and Chief Administrative Officer Andreas Acker.

Mr. Acker reported that the prior manager Rory Nichols is now in a different unit in Human Resources. Rhonda Chapman is the new manager and will be reporting on this topic in the future. Mr. Acker introduced Rhonda Chapman who has been with State Fund for 24 years and has worked in various units at State Fund.

#### **AGENDA ITEM 6: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 9 THROUGH 15**

Ms. Chalupa requested public comment on the appropriateness of Closed Session Agenda Items 9 through 15, of which there was none.

#### **AGENDA ITEM 7: PUBLIC COMMENT**

Ms. Chalupa requested other public comment, of which there was none. The Audit Committee immediately convened into Closed Session at 2:05 p.m.

#### **AGENDA ITEM 16: CALL TO ORDER AND ROLL CALL**

The meeting reconvened at 5:05 p.m. following the conclusion of the Closed Session and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado (Ret.); Scott K. Reid; and William M. Zachry.

Absent by prior arrangement: Steven L. Rank

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter A. Guastamachio; General Counsel and Corporate Secretary Margie R. Lariviere; Chief of Internal Affairs Dante Robinson; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

#### **AGENDA ITEM 17: COMMITTEE MEMBER PRESENTATIONS**

Ms. Chalupa requested Sen. Machado to provide an update from his attendance at the KPMG Annual Audit Committee Issues Conference.

Sen. Machado reported that the conference brought together audit committee members and board directors along with governance professionals and business leaders to discuss the challenges and priorities shaping audit committee and board agendas in the year ahead.

Sen. Machado reported topics included Cyber risk, Audit quality, geopolitical hotspots and activism in the boardroom. The conference offered insight into the obligations of audit committees.

Ms. Chalupa noted that KPMG offers webinars to Audit Committee members and encouraged members to take advantage of that.

Ms. Chalupa requested presentations from the other Committee members, of which there were none.

#### **AGENDA ITEM 18: PROPOSALS AND SUGGESTIONS FOR MAY 25, 2016 AGENDA**

Ms. Chalupa requested suggestions for agenda items for the May 25, 2016 Audit Committee meeting other than the standing agenda items, of which there were none. Ms. Chalupa requested public comment, of which there was none, and she noted that the next Audit Committee meeting is scheduled for May 25, 2016 at the State Fund Corporate Office, 333 Bush Street, San Francisco, California, unless noticed for a new date and time.

#### **ADJOURNMENT**

There being no further business before the Audit Committee, the meeting adjourned at 5:10 p.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary