

**STATE COMPENSATION INSURANCE FUND  
AUDIT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**May 23, 2018**

The Audit Committee met on May 23, 2018 at the State Fund Pleasanton Office, 5890 Owens Drive (Pacific and Atlantic rooms), Pleasanton, 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: Scott K. Reid (Chair); Sheryl A. Chalupa; Senator Michael J. Machado (Ret.); Steven L. Rank; and William M. Zachry.

There was a quorum.

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

**AGENDA ITEM 2: ANTITRUST ADMONITION**

Mr. Reid 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: CONSENT CALENDAR**

- 3a. Approval of February 21, 2018 Open Meeting Minutes**
- 3b. Annual Review and Approval of Audit Committee Charter**
- 3c. Annual Review and Approval of Internal Audit Charter and Compliance with International Internal Audit Standards**

Mr. Reid asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none.

Mr. Reid called for a Motion.

MOTION: Sen. Machado

SECOND: Ms. Chalupa

To approve the Consent Calendar as presented.

Mr. Reid requested public comment of which there was none. Mr. Reid called for the vote.

YES: 5

NO: 0

Abstain: 0

Motion carried.

#### **AGENDA ITEM 4: COMPLETED CLOSED AUDITS**

Mr. Reid noted that this item is read only, unless questions. Mr. Reid asked Chief of Internal Affairs Mr. Robinson if there was any new information from the time the report was published. Mr. Robinson noted that the report was current and there were no changes.

In addition, Mr. Reid noted that May is International Internal Audit awareness month. Internal Audit is important to keeping the health of a company and they play a critical part in the governance, internal control and risk management in an organization. Mr. Reid acknowledged and thanked all the staff of Internal Audit for the work they do.

Lastly, Mr. Robinson reported that the California Department of Insurance (CDI) has completed its 4-year examination, which began April 2017 and concluded in March 2018. It took a year to complete the audit and there were no findings for State Fund's financial statements.

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

Mr. Reid noted that this item is read only, unless questions. He asked Executive Vice President and Chief Administrative Officer Andreas Acker and Vice President of HR Connect Patrick Gage if there was any new information from the time the report was published. Mr. Acker and Mr. Gage noted that the report was current and there were no changes.

#### **AGENDA ITEM 6: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 9 THROUGH 13**

Mr. Reid requested public comment on the appropriateness of Closed Session Agenda Items 9 through 13, of which there was none.

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

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

#### **AGENDA ITEM 14: CALL TO ORDER AND ROLL CALL**

The meeting reconvened at 4:05 p.m. following the conclusion of the Closed Session and the following Members were present: Scott K. Reid (Chair); Sheryl A. Chalupa; Sen. Michael J. Machado (Ret.); Steven L. Rank; and William M. Zachry.

There was a quorum.

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

#### **AGENDA ITEM 15: COMMITTEE MEMBER PRESENTATIONS**

Mr. Reid requested presentations from the Committee members. Mr. Zachry noted that he attended the annual Northern California Anti-Fraud conference and would like to invite the District Attorneys who presented at the conference at the August Board Strategic meeting to speak on "Cappers".

## **AGENDA ITEM 16: PROPOSALS AND SUGGESTIONS FOR AUGUST 15, 2018 AGENDA**

Mr. Reid requested suggestions for agenda items for the August 15, 2018 Audit Committee meeting other than the standing agenda items. Mr. Rank asked about Mr. Duran, Special Investigation Unit (SIU) Program Manager to present to the Audit Committee in the future regarding SIU status update. Ms. Padua noted that the information is now sent as a one-way communication to the Audit Committee.

Mr. Reid further requested suggestions for agenda items, of which there were none.

Mr. Reid requested public comment, of which there was none, and he noted that the next Audit Committee meeting is scheduled for August 15, 2018 at the State Fund Office, 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 4:15 p.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary