

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

May 17, 2017

The Audit Committee met on May 17, 2017 at the State Fund San Francisco Office, 333 Bush Street, 7th floor (Board Room), San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:30 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 Financial Officer Peter A. Guastamachio; 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

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 3a: CONSENT CALENDAR:

3a. Approval of March 1, 2017 Open Meeting Minutes

3b. Annual Review 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: Mr. Zachry

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 is current and there are no changes.

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 noted that the report is current and there are no changes.

AGENDA ITEM 6: DATA ANALYTICS OVERVIEW

Mr. Reid noted that this agenda item was deferred from the March 1, 2017 meeting. Mr. Reid called upon Internal Audit Program Manager Gwilym Martin and Internal Audit Data Analytics Manager Laura McHenry to present on Data Analytics.

Mr. Martin and Ms. McHenry provided an overview of data analytics as it relates to auditing. Data Analysis is used to create routines and provide visualization of data. It is used to conduct more comprehensive, objective, repeatable assessments of risk and controls. The use of data analytics enables better understanding of underlying data, better fraud indicators, efficiency in continuous auditing and, per industry best practice, full population testing rather than sampling. Internal Audit has a dedicated team for data analysis. The partnership between Internal Audit and management allows for continuous auditing with Internal Audit building out the processes with a hand-off to management for continuous monitoring of the risks and controls.

AGENDA ITEM 7: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 10 THROUGH 15

Mr. Reid requested public comment on the appropriateness of Closed Session Agenda Items 10 through 15, of which there was none.

AGENDA ITEM 8: PUBLIC COMMENT

Mr. Reid requested other public comment, of which there was none. The Audit Committee immediately convened into Closed Session at 1:45 p.m.

AGENDA ITEM 16: CALL TO ORDER AND ROLL CALL

The meeting reconvened at 5:25 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 Financial Officer Peter A. Guastamachio; 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

Mr. Reid requested presentations from the Committee members, of which there were none.

AGENDA ITEM 18: PROPOSALS AND SUGGESTIONS FOR AUGUST 29, 2017 AGENDA

Mr. Reid requested suggestions for agenda items for the August 29, 2017 Audit Committee meeting other than the standing 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 29, 2017 at the Napa Valley Marriott Hotel and Spa, Napa, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 5:30 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary