

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

August 20, 2019

The Audit Committee met on August 20, 2019 at The Lodge at Sonoma Renaissance, 1325 Broadway, Sonoma, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 8:05 a.m. Ms. Padua took roll and the following Members were present: William M. Zachry (Chair); Senator Tom. C. Berryhill (Ret.); David M. Lanier; and Angela D. Tate.

Absent by prior arrangement: Senator Michael J. Machado (Ret.)

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel, Corporate Secretary and Acting Chief of Internal Affairs Margie R. Lariviere; 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. Zachry 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

a. Approval of May 22, 2019 Open Meeting Minutes

Mr. Zachry asked whether any Committee member had any comments, of which there were none.

Mr. Zachry called for a Motion.

MOTION: Sen. Berryhill

SECOND: Mr. Lanier

To approve the Consent Calendar as revised.

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

YES: 4

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: COMPLETED CLOSED AUDITS

Mr. Zachry noted that this item is read only, unless questions. Mr. Zachry asked General Counsel and Acting Chief of Internal Affairs Margie Lariviere if there was any new information from the time the report was published. Ms. Lariviere noted there were no non-proprietary closed audits.

Ms. Lariviere reported on the two external audits completed by the State Auditor. The first audit was a technology audit on State Compensation Insurance Fund information security. The State Auditor analyzed 33 entities that were outside of Department of Technology oversight, including State Fund. The State Auditor reported during the exit meeting that there were no specific recommendations for State Compensation Insurance Fund to address. The report noted that there were only two entities that were in compliance and State Fund was one of them. The State Auditor submitted a copy of the report to the Governor and heads of legislature on July 16, 2019. The State Auditor is making the recommendations to the legislature as follows: 1) agencies to adopt information security standards; 2) obtain or perform comprehensive assessments no less than every three years to test compliance; and 3) submit confidential certifications and corrective actions to address deficiencies.

In the second audit, the State Auditor evaluated the timeliness of medical care to Department of Corrections and Rehabilitation (CDCR) of both employees and inmates who sustained work-related injuries. The overall finding showed that the CDCR employees and inmates whose cases were reviewed received the necessary care through established and medical industry approved processes within reasonable time frames. The report also did not identify any notable, systemic negative effects or areas for the processes to become more efficient. Therefore, there were no recommendations for State Fund to address. The State Auditor submitted a copy of the report to the Governor and heads of legislature on July 11, 2019.

Mr. Zachry commented on the great work that the staff has done.

AGENDA ITEM 5: WHISTLEBLOWER HOTLINE

Mr. Zachry noted that this item is read only, unless questions. He asked Executive Vice President and Chief Administrative Officer Andreas Acker if there was any new information from the time the report was published. Mr. Acker 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 11

Mr. Zachry requested public comment on the appropriateness of Closed Session Agenda Items 9 through 11, of which there was none.

AGENDA ITEM 7: PUBLIC COMMENT

Mr. Zachry requested other public comment, of which there was none. The Audit Committee immediately convened into Closed Session at 8:15 a.m.

AGENDA ITEM 12: CALL TO ORDER AND ROLL CALL

The meeting reconvened at 9:00 a.m. following the conclusion of the Closed Session and the following Members were present: William M. Zachry (Chair); Senator Tom. C. Berryhill (Ret.); David M. Lanier; and Angela D. Tate.

Absent by prior arrangement: Senator Michael Machado (Ret.)

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel, Corporate Secretary and Acting Chief of Internal Affairs Margie R. Lariviere; 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 13: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 14: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 20, 2019 AGENDA

Mr. Zachry requested suggestions for agenda items for the November 20, 2019 Audit Committee meeting other than the standing agenda items, of which there were none.

Mr. Zachry requested public comment, of which there was none, and he noted that the next Audit Committee meeting is scheduled for November 20, 2019 at the State Fund Pleasanton Office, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 9:05 a.m.

Respectfully submitted,

Hilda B. Padua, Board Liaison and Assistant Corporate Secretary