

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 6

ATTACHMENT 6-I

MINUTES OF July 9, 2009 OPEN AUDIT COMMITTEE MEETING

PRESENTED BY: Frank Quinlan

September 10, 2009

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

JULY 9, 2009

The Audit Committee met on July 9, 2009 in the Auditorium of the Milton Marks Conference Center, State Building, 455 Golden Gate Ave, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:10 p.m. and the following members were present:

Francis (Frank) E. Quinlan, Chair; Vincent E. Mudd; Steven L. Rank; and Alternate Thomas E. Rankin.

There was a quorum.

Also present: KPMG Audit Partner Mark McMorrow and Senior Manager Shelly Kay Pfeiffer; President and CEO Janet Frank; Chief Financial Officer Jay Stewart; Chief Risk Officer Doug Stewart; Senior Vice President of Internal Affairs Lisa Middleton; Acting Internal Audit Manager Sandy Peters; General Counsel and Corporate Secretary Carol Newman; Assistant Chief Counsel and Assistant Secretary Judith D. Sapper; and Randall Keen, Esq. of Manatt Phelps & Phillips.

AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION ITEM 4

There was no public comment.

The Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF MINUTES OF MAY 14, 2009 CLOSED MEETING Closed Session.

AGENDA ITEM 4: INTERNAL AUDIT MANAGER'S BRIEFING ON PENDING AUDITS AND INVESTIGATIONS Closed Session.

AGENDA ITEM 5: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:10 p.m. following the conclusion of the Closed Session and the following members were present: Francis Quinlan, Chair; Vincent E. Mudd; Steven Rank.

Also present: KPMG Audit Partner Mark McMorrow and Senior Manager Shelly Kay Pfeiffer; President and CEO Janet Frank; Executive VP Jim Neary; Chief

Financial Officer Jay Stewart; Chief Risk Officer Doug Stewart; Senior Vice President of Internal Affairs Lisa Middleton; General Counsel and Corporate Secretary Carol R. Newman; Assistant Chief Counsel and Assistant Secretary Judith D. Sapper; and Randall Keen, Esq. of Manatt Phelps & Phillips.

AGENDA ITEM 6: APPROVAL OF MAY 14, 2009 OPEN MEETING MINUTES

MOTION: Mr. Mudd Second: Mr. Rank

To approve the minutes of the March 12, 2009 Open meeting of the Audit Committee as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 7: COMPLETED AUDIT PROJECTS REPORT

Ms. Middleton presented the status of the Completed Audit Projects, and provided an overview of the Bureau of State Audits (BSA) process, jurisdiction, complaint procedures, notification, and State Fund procedures. The BSA may conduct investigations or delegate them under their authority and direction to the entity that is the subject of the complaint. In all known complaints or referrals to the BSA involving State Fund, the BSA has delegated the investigation process to State Fund. The Whistleblower hotline is publicized annually to State Fund employees and is a significant part of State Fund's Ethics and Compliance program. There was no public comment.

AGENDA ITEM 8: INTRODUCTION OF NEW INTERNAL AUDIT MANAGER

Ms. Middleton reported on the selection of Marie Wardell as the new Internal Audit Manager as of July 1, 2009. Ms. Wardell has thirty-five (35) years of workers' compensation industry experience and expertise. There was no public comment.

AGENDA ITEM 9: COMMITTEE MEMBER PRESENTATIONS

Mr. Mudd emphasized discussions of State Fund's tone at the top and recognition and encouragement of employees to report ethics and compliance issues. There was no public comment.

AGENDA ITEM 10: PROPOSALS AND SUGGESTIONS FOR JULY 2009 AGENDA

In addition to standing agenda items and recurring calendar items, the Committee requested further briefing on the standardization and improvement of audits and report writing and the timeliness and prioritization for completing audits and investigations. There was no public comment.

AGENDA ITEM 11: PUBLIC COMMENT

There was no public comment.

The next Audit Committee meeting is scheduled for September 10, 2009 at noon in San Francisco, California.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 1:35 p.m.

Respectfully submitted,

Judith D. Sapper,
Assistant Secretary