

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

January 21, 2010

The Audit Committee met on January 21, 2010 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 12:00 p.m. and the following members were present: Francis (Frank) E. Quinlan, Chair; Steven Rank and Alternate Thomas E. Rankin.

There was a quorum.

Also present: Doug Stewart, Interim President and CEO; Chief Financial Officer Jay Stewart; Senior Vice President of Internal Affairs Lisa Middleton; General Counsel and Corporate Secretary Carol Newman; and Chief Counsel and Assistant Corporate Secretary Suzanne Ah-Tye.

AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION ITEMS 4 THROUGH 6

There was no public comment.

The Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF NOVEMBER 12, 2009 CLOSED MEETING MINUTES Closed session.

AGENDA ITEM 4: BRIEFING ON PENDING AUDITS AND INVESTIGATIONS Closed Session.

AGENDA ITEM 5: REPORT ON CDI SIU AUDIT Closed Session.

AGENDA ITEM 6: INFORMATION TECHNOLOGY AUDIT

AGENDA ITEM 7: CALL TO ORDER AND ROLL CALL;

The meeting was called to order at 1:45 p.m. and the following members were present: Francis (Frank) E. Quinlan, Chair and Alternate Thomas E. Rankin. Steven Rank was not present.

There was a quorum.

Also present: Doug Stewart, Interim President and CEO; Chief Financial Officer Jay Stewart; Chief Information Officer, Shaun Coyne; Vice President of Internal Affairs Lisa Middleton; General Counsel and Corporate Secretary Carol Newman; and Chief Counsel and Assistant Corporate Secretary Suzanne Ah-Tye.

AGENDA ITEM 8: APPROVAL OF NOVEMBER 12, 2009 OPEN MEETING MINUTES

MOTION: Mr. Quinlan SECOND: Mr. Rankin

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

AYES: 2 NOES: 0 Motion Carried.

AGENDA ITEM 9: REPORT ON COMPLETED AUDITS

Mr. Rank joined the meeting. Vice President of Internal Affairs Lisa Middleton reported on completed audits. Changes were made in regard to IT's tracking of application maintenance and support costs. Internet access monitoring software used by IT and HR was not adequate and has been replaced with enhanced monitoring capabilities. There was an electronic commerce audit. Issues have been resolved by ensuring that there are effective internal controls for scif.com and SFO. For subrogation recovery, improvements were made to properly record deposited recovery payments. For state contract cases, Internal Audit reviewed accounts receivables for 2006-2007 and 2007-2008. As a result, improvements were made regarding database integrity and timeliness of dunning letters for late payments. An audit was also completed on Reinsurance Recovery to ascertain whether bills are timely and accurate. There were no findings of noncompliance. There was a Loss Control operational review to evaluate loss control servicing and documentation. The audit showed compliance with Corporate and Loss Control guidelines. In regard to completed control self assessment reports, (CSA) audits of the Stockton and Monterey Park offices revealed that most information security audits were properly performed. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 10: COMMITTEE MEMBER PRESENTATIONS.

Mr. Quinlan requested Committee Member presentations of which there were none. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 11: PROPOSALS AND SUGGESTIONS FOR MARCH 2010 AGENDA

There were no proposals or suggestions for the March 2010 agenda. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 12: PUBLIC COMMENT

Mr. Quinlan requested public comment. Randall Cheek, Legislative Advocate for SEIU Local 1000 invited Board members to the Legislative reception on February 10, 2010 at the State Capitol basement at 5:30 p.m. Mr. Cheek also made a formal request for information on closed session agenda items 5 and 6, in particular, information on the inappropriate use of internet monitoring. Mr. Quinlan reported that agenda item 5, discussed in the closed audit session, concerned the CDI SIU audit, and how State Fund could make improvements. In regard to agenda item 6, the Information Technology Audit, Mr. Quinlan reported that efforts were being made by State Fund to contain IT costs. In order to ensure timeliness of deliverables, a new structure has been implemented to provide greater oversight over IT projects, including the Enterprise Portfolio Management Office.

Mr. Quinlan requested further public comment of which there was none.

The next Audit Committee meeting is scheduled for March 19, 2010 at 11:30 a.m. in San Francisco, California

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 2:05 p.m.

Respectfully submitted,

Suzanne Ah-Tye,
Assistant Corporate Secretary