

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 9

ATTACHMENT 9-I

MINUTES OF MARCH 12, 2009 OPEN AUDIT COMMITTEE MEETING

PRESENTED BY: Frank Quinlan

May 14, 2009

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

MARCH 12, 2009

The Audit Committee met on March 12, 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 1:00 p.m. and the following members were present: Francis Quinlan, Chair; Vincent Mudd; and Sheryl Chalupa, Alternate.

Also present: KPMG Audit Partner Mark McMorrow and Senior Manager Shelly Kay Pfeiffer; President and CEO Janet Frank; Chief Financial Officer Jay Stewart; Governance Manager and outgoing Internal Audit Manager Barbara Simmons; 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; Randall Keen, Esq. of Manatt Phelps & Phillips; and interim Internal Audit Manager Sandy Peters of Resources Global.

AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION ITEMS 4 THROUGH 5

There was no public comment.

The Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF MINUTES OF JANUARY 15, 2009 CLOSED MEETING Closed Session.

AGENDA ITEM 4: SECURED BOARD COMMUNICATION DEMO Closed Session (deferred).

AGENDA ITEM 5: INTERNAL AUDIT MANAGER'S REPORT ON PENDING AUDITS AND INVESTIGATIONS Closed Session. Mr. Rank joined the meeting before the conclusion of this item.

AGENDA ITEM 6: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 2:35 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; Chief Financial Officer Jay Stewart; Governance Manager and outgoing Internal Audit Manager Barbara Simmons; Senior Vice President of Internal Affairs Lisa

Middleton; Assistant Chief Counsel and Assistant Secretary Judith D. Sapper; Staff Counsel Linda S. Platisha; and interim Internal Audit Manager Sandy Peters of Resources Global.

AGENDA ITEM 7: APPROVAL OF JANUARY 15, 2009 OPEN MEETING MINUTES

MOTION: Mr. Mudd Second: Mr. Rank

To approve the minutes of the January 15, 2009 Open Meeting as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 8: INTERNAL AUDIT COMPLETED PROJECTS REPORT

Ms. Middleton presented the Completed Projects Report. She reported on the recently completed audit of the Human Resources (HR) department. The audit findings included a recommendation to establish and execute on succession planning for key employees which has been initiated with a new integrated talent management initiative. Further, it takes an average of 82 days from the referral by Internal Audit to action taken by Human Resources. After discussion, Ms. Middleton was directed to review the process and reduce the time frame.

Ms. Middleton reported on two additional audit report findings. Staff explained that the Executive Decision Support System (EDSS) project had been launched by the Management, Information, and Budget (MIB) department before MIB was integrated into the IT department; subsequently, a decision was made to discontinue EDSS and proceed with a new initiative through IT for data integration. On the second finding, Internal Audit facilitated gathering Claims Rehabilitation medical data for the Department of Insurance study, but did not analyze the data.

Ms. Middleton concluded her report by noting that Internal Audit is meeting its schedule for approved audits and is developing a Request for Proposal for additional external resources. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 9: REVIEW OF AUDIT CHARTER

The proposed new Audit Charter was discussed and the Committee recognized Staff Counsel Linda Platisha for her contributions to revising the existing Charter with an extensive review of best practices. A full discussion ensued regarding recommended changes for Committee member qualifications including a definition of auditing background as well as the role of the Committee to initiate investigations and hire investigators. Additional comments from the Committee included a request for clarification of the role of alternate members and State Fund's accounting practices and standards as a quasi-public entity that is not subject to Sarbanes-Oxley. Mr. McMorrow requested changes to clarify the annual reporting process and the independent auditor role. Mr. Quinlan requested public comment of which there was none. The Committee tabled the item for the May 2009 meeting.

AGENDA ITEM 10: COMMITTEE MEMBER PRESENTATIONS

There were no presentations for this standing agenda item and no public comment.

AGENDA ITEM 11: PROPOSALS AND SUGGESTIONS FOR MAY 2009 AGENDA

In addition to the standing Agenda items, a discussion of subrogation recovery was suggested. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 12: PUBLIC COMMENT

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

The next Audit Committee meeting is scheduled for May 14, 2009 at 1:00 p.m. in San Francisco, California.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 2:55 p.m.

Respectfully submitted,

Judith D. Sapper,
Assistant Secretary