

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

February 18, 2015

The Audit Committee met on February 18, 2015 at the State Fund Corporate Office, 333 Bush Street, 7th floor, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 2:05 p.m. and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado; Steven L. Rank; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Chief of Internal Affairs Dante Robinson; Board Liaison and Interim Corporate Secretary Hilda B. Padua; Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps & Phillips, LLP.

AGENDA ITEM 2: ANTITRUST ADMONITION

Ms. Chalupa 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: APPROVAL OF November 19, 2014 OPEN MEETING MINUTES

MOTION: Mr. Zachry

SECOND: Mr. Rank

To approve the minutes of the November 19, 2014 Open Meeting of the Audit Committee as presented.

Ms. Chalupa asked for public comment of which there was none, and called for the vote. Sen. Machado abstained. He was not a member of the Audit Committee in 2014.

YES: 3

Abstain: 1

NO: 0

Motion carried.

AGENDA ITEM 4: COMPLETED CLOSED AUDITS

Chief of Internal Affairs Dante Robinson reported that Internal Audit completed four closed audits: the Proxy Settings Observation, Premium Audit Services, Enterprise Procurement, and Claims Operations Site Visit audits. The findings and remediation actions are noted on the Audit Committee package.

Mr. Robinson also noted all of the issues identified in closed audits are correctible in the normal course of business and do not represent significant risk to State Fund.

AGENDA ITEM 5: WHISTLEBLOWER HOTLINE

Vice President of HR Connect Patrick Gage reported all Ethics Hotline reports are investigated. During 4Q 2014, there were 67 reports from all sources (Ethics Hotline – 31; Management Referral – 17; Privacy Office – 19). Mr. Gage noted that there has been a decline in the number of reports during 4Q 2014. This is attributed to increased awareness of the importance of data privacy through awareness messaging and education. However, it was also noted that since the organization will conduct Code of Conduct training in the next two months, it is expected to see an increase in the number of reports for the next Audit meeting. Mr. Gage noted management will continue to educate State Fund's Workforce of their responsibility for preventing the improper disclosure or use of private and confidential information. Management will continue to work with the Privacy Office to implement corrective actions and with HR to take any appropriate disciplinary actions.

AGENDA ITEM 6: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 9 THROUGH 14

Ms. Chalupa requested public comment on the appropriateness of Closed Session Agenda Items 9-14, of which there was none.

AGENDA ITEM 7: PUBLIC COMMENT

Ms. Chalupa requested other public comment, of which there was none. The Audit Committee immediately convened into Closed Session at 2:10 p.m.

AGENDA ITEM 15: CALL TO ORDER AND ROLL CALL

The meeting reconvened at 4:20 p.m. following the conclusion of the Closed Session and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado; Steven L. Rank; and William M. Zachry.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Chief of Internal Affairs Dante Robinson; Board Liaison and Interim Corporate Secretary Hilda B. Padua; Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps and Phillips.

There was a quorum.

AGENDA ITEM 16: COMMITTEE MEMBER PRESENTATIONS

Ms. Chalupa requested presentations from the Committee members of which there were none.

AGENDA ITEM 17: PROPOSALS AND SUGGESTIONS FOR MAY 20, 2015 AGENDA

Ms. Chalupa requested suggestions for agenda items for the May 20, 2015 Audit Committee meeting other than the standing agenda items, of which there were none.

Ms. Chalupa requested public comment, of which there was none, and she noted that the next Audit Committee meeting is scheduled for May 20, 2015 at the State Fund Corporate Office, 333 Bush Street, San Francisco, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 4:25 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Interim Corporate Secretary