

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10-1

MINUTES OF MAY 20, 2010 OPEN AUDIT COMMITTEE MEETING

PRESENTED BY: Frank Quinlan

JULY 8, 2010

**STATE COMPENSATION INSURANCE FUND  
AUDIT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**May 20, 2010**

The Audit Committee met on May 20, 2010 in the Benicia Room 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 8:00 a.m. and the following members were present: Francis (Frank) E. Quinlan, Chair, and Alternate James Richardson.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Senior Vice President of Internal Affairs Lisa Middleton; General Counsel and Corporate Secretary Carol Newman; KPMG Lead Audit Partner Mark McMorrow and Senior Manager Julie Rhodes, and Internal Audit Program Manager and Assistant Corporate Secretary Marie Wardell.

**AGENDA ITEM 2: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION ITEMS 3 THROUGH 8**

There was no public comment.

The Committee immediately convened into Closed Session.

**AGENDA ITEM 9: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 10:00 a.m. and the following members were present: Francis (Frank) E. Quinlan, Chair, William Zachry and Alternate James Richardson.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Senior Vice President of Internal Affairs Lisa Middleton, Assistant Chief Counsel & Assistant Corporate Secretary Judith Sapper; KPMG Lead Audit Partner Mark McMorrow and Senior Manager Julie Rhodes, and Internal Audit Program Manager & Assistant Corporate Secretary Marie Wardell.

**AGENDA ITEM 10: APPROVAL OF MARCH 18, 2010 OPEN MEETING MINUTES**

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

MOTION: Mr. James Richardson                      Second: Mr. William Zachry

To approve the minutes of the March 18, 2010 Open meeting of the Audit Committee as presented.

AYES: 3                      NOES: 0                      Motion carried.

**AGENDA ITEM 11: REPORT ON CLOSED AUDITS**

Lisa Middleton, Sr. Vice President of Internal Affairs, reported on completed audits. Completed activity over the last 60 days has been limited to projects and advisory activities:

For *Model Audit Rule Testing* report, Internal Audit partnered with Ethics and Compliance in August 2009 to perform business process walkthroughs and controls testing. The MAR work product is solely under control and authority of Ethics and Compliance. Internal Audit's 2009 MAR audit work ended March 2010.

For the *Internet Monitoring with Information Technology & Human Resources* report, Internal Audit continues to participate in quarterly meetings with IT and HR on an advisory basis with the last meeting held March 18, 2010. An item included HR's and IT's agreement to revise their Service Level Agreement to include an archiving process for phone records. HR and IT also discussed the April 2010 pilot of Web sense, a new software application to monitor Web use.

For *Advisory: Privacy & Data Protection* report, Internal Audit closed down its advisory role and an audit will be started shortly to address privacy issues.

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

**AGENDA ITEM 12: AMENDMENT TO AUDIT COMMITTEE CHARTER.**

Mr. Quinlan presented the May 20, 2010 amendments to Audit Committee Charter which would include the evaluation of Enterprise Risk Management effectiveness as part of its mission and purpose. Mr. Quinlan requested public comment of which there was none.

MOTION: Mr. William Zachry                      Second: Mr. James Richardson

To approve the amendments to the Audit Committee Charter to include the effectiveness as part of its mission and purpose with the described amendments and to recommend the Board of Directors adopt the Audit Committee Charter as amended.

AYES: 3                      NOES: 0                      Motion carried.

**AGENDA ITEM 13: 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 14: PROPOSALS AND SUGGESTIONS FOR JULY 2010 AGENDA**

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

**AGENDA ITEM 15: PUBLIC COMMENT**

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

The next Audit Committee meeting is scheduled for July 8, 2010 in San Francisco, California

**ADJOURNMENT**

There being no further business before the Audit Committee, the meeting adjourned at 10:05 a.m.

Respectfully submitted,

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Marie W. Wardell  
Assistant Corporate Secretary