

BWC Board of Directors

AUDIT COMMITTEE

Thursday, April 28, 2011, 8:00 a.m.

William Green Building

30 West Spring Street, 2nd Floor (Mezzanine)

Columbus, Ohio 43215

Members Present: Kenneth Haffey, Chair
Robert Smith, Vice Chair
Stephen Lehecka
Dewey Stokes
Nicholas Zuk

Members Absent: None

Other Directors Present: James Hummel, Thomas Pitts, Larry Price, David
Caldwell, Mark Palmer

Counsel Present: Jason Rafeld, General Counsel
Ann Shannon, Legal Counsel
Janyce Katz, Assistant Attorney General

Staff Present: Keith Elliott, Manager, Internal Audit
Tracy Valentino, Chief of Fiscal and Planning
Don Berno, Board Liaison

Scribe: Jill Whitworth

CALL TO ORDER – APRIL 28, 2011

Mr. Haffey called the meeting to order at 8:00 AM and the roll call was taken. All committee members were present.

MINUTES OF MARCH 24, 2011

The minutes were approved without changes by unanimous roll call vote on a motion by Mr. Smith, seconded by Mr. Stokes.

REVIEW/ APPROVE AGENDA

There were no changes to the agenda. Mr. Haffey noted an executive session will be held at the conclusion of business. The agenda was approved by unanimous roll call vote on a motion by Mr. Zuk, seconded by Mr. Smith.

NEW BUSINESS / ACTION ITEMS

- 1. Motions for Board Consideration**
 - a. For First Reading**
 - 1. FY 2012 Administrative Budget**

Tracy Valentino, Chief of Fiscal and Planning, presented the FY 2012 Administrative Budget. Governor Kasich recently signed the appropriation of \$289 million, which BWC then allocates through various line items. The requested budget for FY 2012 (July 1, 2011 through June 30, 2012) is \$279.1 million.

Ms. Valentino focused on several specific budget items. The 6.6% increase in payroll is based on the elimination of cost saving days and the reinstatement of employee step increases. The 40% increase in communications is for bulk postage to replenish the supply, and comes to approximately \$1 million. Strategic projects allocation is budgeted for the update of core IT systems. Capital improvements include replacing the chiller system and upgrading the fire alarms. Per a question from Mr. Smith, the \$9.9 million variance is a “contingency fund” in the event unexpected expenses arise.

In FY 2011, BWC spent an estimated \$259 million of the approved \$284 million budget. The variance between these amounts is due to cost savings days, significant staffing loss of 150 to 175 employees, mostly through retirement, and movement of strategic project to the FY 2012 budget. Per a question from Mr. Zuk, the rental payment is decreasing per the bond repayment schedule. The final payment is due in 2014 on the bonds used to finance the William Green Building.

2. Discussion of External Audit

Ms. Valentino and Mr. Haffey met with external auditing firm Schneider Downs on April 6, 2011. Changes in management and policy were discussed, along with resolution of the “yellow book” comment that has been pending for several years. Ms. Valentino believes that the comment has been resolved, but it will need Schneider Downs’ approval.

The external audit schedule is as follows: audit planning begins mid-May, internal testing May 23 through mid-June, field work in August and September, with the final report due September 30. Internal Audit will supply approximately 1,000 hours of support. Periodic progress updates will be provided to the Committee. Mr. Haffey noted the benefits of consistently working with Schneider Downs partner Joe Patrick and his team. He also requested that the delivery date of the report be no later than September 15, to avoid last minute time pressure.

DISCUSSION ITEMS

1. Open Discussion with Internal Auditor

Keith Elliott, IAD manager, reported that 8 reviews are in process – 4 in field work and 4 in final phase. Four completed audits will be presented with the June Quarterly Executive Summary. Validation is also being done for prior audit comments to make sure that corrective action has been taken, or management has accepted the risk. If management accepts a risk, the Administrator and Audit Committee are included in the discussion. Mr. Haffey advised that Mr. Elliott is providing weekly updates. Mr. Haffey is also meeting regularly with Mr. Elliott and Karl Zarins of IAD in the wake of Caren Murdock's departure.

2. Committee Calendar

There were no changes to the calendar. The May meeting will feature a second reading of the administrative budget, and review of the Internal Audit charter.

3. Executive Session

Mr. Haffey moved to recess for an Executive Session for a quarterly litigation update from Jason Rafeld, General Counsel and Chief Ethics Officer. Mr. Haffey announced the meeting will adjourn immediately following the return from Executive Session. The motion was seconded by Mr. Stokes and approved by unanimous roll call vote. The Committee entered Executive Session at 8:36 AM.

ADJOURNMENT

At 9:14 AM, Mr. Smith moved to return from Executive Session and adjourn the meeting. The motion was seconded by Mr. Stokes and approved by unanimous roll call vote. The meeting adjourned at 9:15 AM.