

Draft
BWC Board of Directors

Audit Committee
Tuesday, October 28, 2008, 4:00 PM
Mansfield Service Office
1st Floor Training Room
240 Tappan Mansfield, OH 44906

Members Present: Kenneth Haffey, Committee Chair
Bob Smith
Bill Lhota
Jim Harris
Jim Matesich

Members Absent: None

Other Directors Present: Thomas Pitts

CALL TO ORDER

Mr. Haffey called the meeting to order at 4:05 PM and the roll call was taken.

MINUTES OF SEPTEMBER 25, 2008

The minutes were approved without change by unanimous roll call vote on a motion by Mr. Matesich, seconded by Mr. Harris.

NEW BUSINESS / ACTION ITEMS

1. Provide advice and consent for Caren R. Murdock as BWC Chief of Internal Audit

Administrator Marsha Ryan addressed the Audit Committee, recommending that the Audit Committee provide its consent for Ms. Caren R. Murdock to become the Chief of Internal Audit as required by Ohio Rev. Code Sec. 4121.125(I). Ms. Murdock appeared before the Audit Committee personally.

Administrator Ryan, Mr. Haffey and Mr. Smith noted they were of strong belief that Ms. Murdock was an excellent candidate for this position, and the public will be well served by her appointment. Administrator Ryan asked the Audit Committee to approve her recommendation that Ms. Murdock be appointed as the Chief of Internal Audit, so that the Board of Directors could vote on her appointment at the October meeting.

Mr. Smith moved for the Audit Committee to recommend to the Board of Directors that it approve Ms. Ryan's recommendation to name Caren R. Murdock as the Bureau of Workers' Compensation's Chief of Internal Audit. The motion was seconded by Mr. Matesich, and the motion passed by a unanimous roll call vote.

2. Rule Review – Second Reading – Claims Procedure 4123-3

Tom Sico, Assistant General Counsel, and Kim Robinson, Director of Claims Policy, presented updates to proposed changes to the claims procedures rules, Ohio Admin. Code Sec. 4123-3.

Mr. Sico noted these rules were previously discussed at the Audit Committee's August meeting, and there was excellent discussion at that meeting. Mr. Sico also noted he had the opportunity to discuss these rules with outside stakeholders since the last meeting.

As a result of the recommendations from the Audit Committee from the last meeting and the outside discussions, there were still twenty-nine (29) rules up for review; however, eleven (11) of the rules were now unchanged, three (3) rules were rescinded, and fifteen (15) rules were amended. This breakdown had changed from the August meeting due to changes in Sections 4123-3-24, 4123-3-29, and 4123-3-31.

Mr. Sico noted the Audit Committee's recommendation of making the rules gender neutral was fully implemented, with each rule being carefully read and tested. Mr. Sico noted some corrections were missed at the first overview of the rules, and the rules have been now corrected to reflect gender neutrality. Mr. Sico noted any clerical or substantive changes that were made to the rules since the August meeting, and explanations for why the substantive changes were made.

Mr. Sico then discussed five questions that had been posed by Mr. Harris in a phone conversation that morning regarding these rules. Mr. Sico provided answers to Mr. Harris' specific questions. Some of the questions involved renumbering or typographical errors, and those changes were corrected. With regard to substantive issues posed by Mr. Harris, Mr. Sico provided explanations to all of his questions. Mr. Harris sought out the opinion of Mr. Pitts regarding Mr. Sico's explanations of substantive changes. After Mr. Pitts noted his agreement with Mr. Sico's positions, Mr. Harris indicated he was satisfied with the changes that were made, and he had no further objections.

Mr. Sico then indicated the last issue for discussion was the length of time of authorizations provided for inspection of files or medical releases of information. The Bureau's recommendation was to have the length of time extended from sixty (60) days to one year. Mr. Sico noted this change was to make the rules be consistent with other sections of the Ohio Revised Code. While the laws did not specifically pertain directly to the Bureau of Workers' Compensation, Mr. Sico noted a medical release signed by a patient would be valid for one year under Ohio law, and the current 60 day provision restricts this law.

Ms. Robinson then addressed the practical implications resulting from keeping the rule at 60 days. She noted Senate Bill 7 made claims information no longer a public record. Frequently spouses of injured workers wished to discuss or obtain claims information. With only a 60 day authorization, the practicality of having the injured worker submit a release every 60 days was proving to be operationally inefficient and a burden. Ms. Robinson supported Mr. Sico's position on the parallel analogy to medical records laws. Ms. Robinson said the bulk of information contained within a claim file was medical records.

Mr. Harris noted the parallel statutes pertained to medical records, and he understood Mr. Sico and Ms. Robinson's view of the medical records portion of the claim file. Mr. Harris noted the information within a claim file goes beyond medical records, such as motor vehicle accident reports and witness statements. Mr. Harris sought rationale from Mr. Sico and Ms. Robinson as to why release of those records should also be expanded out to one year. Administrator Ryan noted this rule change would be a convenience to the injured workers. Mr. Sico noted that there would continue to be a delay in litigation. For example, frequently defense counsel seeks claim file information, but the release is over 60 days old by the time it is submitted to the Bureau. Currently, under the 60 day rule, another release would have to be executed before the Bureau could release the records to defense counsel. Expanding the claim file release to one year for all records eliminates this delay.

Mr. Lhota addressed concerns of who could obtain records for an employer. Mr. Sico noted an employer does not need a medical release from an injured worker because employers are a party to the claim. Ms. Robinson added that controls are in place to ensure that the appropriate persons at the employer's offices are in place before releasing claims records.

Mr. Pitts then addressed the Audit Committee. He recommended changes in Section 4123-3-16(J). One was a clerical changing of an "and" to "or" in the list of acceptable evidence in support of a psychiatric allowance. Mr. Sico agreed with this recommendation. The second recommendation was to eliminate the word "medical" from the rule. Mr. Pitts noted that psychologists are frequently used by the Bureau to determine compensability of psychiatric conditions. Since psychologists are not medical doctors, psychological examinations would be subject to challenge under the current wording. Mr. Sico agreed that the word "medical" should be stricken from any rule pertaining to psychiatric allowances as it pertained to evidence.

Mr. Harris asked if JCARR was provided the comments that were provided to the Audit Committee when they are approving these rules. Mr. Sico specifically replied JCARR was not provided this commentary. There was no capability in the special software used by JCARR in order to provide commentary. Mr. Haffey noted his appreciation of the comments on behalf of the Audit Committee.

Mr. Matesich moved for the Audit Committee to recommend that the Board of Directors approve the Administrator's recommendations on the five year rule

review of the rules of Chapter 4123-3 of the Administrative Code. Mr. Lhota seconded the motion, and the motion passed by unanimous roll call vote.

3. Rule Review – Second Reading – Inpatient Hospital Payment 4123-6-37.1

Mr. Bob Coury, Chief of Medical Services and Compliance, and Ms. Anne Casto, a private reimbursement and coding consultant retained by the Bureau, addressed the Audit Committee regarding this rule.

Mr. Coury noted this was the second reading and presentation of the rule to the Audit Committee; the first reading had occurred at the September meeting. Mr. Coury noted this rule's timeline went back to this past summer, and a formal presentation of the rule was made to the Ohio Hospital Association (OHA) on August 20th. Opportunity was given for OHA or its hundreds of members to comment.

Mr. Coury noted the rule was examined last year, and he noted it was the Administrator's goal to monitor Medicare/DRG program payment schedules to determine how much the Bureau should reimburse hospitals for their services over the Medicare/DRG program. Mr. Coury noted that the levels should not be more than is necessary to maintain injured workers' access to care and quality of care. Approximately \$385 million was paid to hospitals last year.

Mr. Coury then turned over the presentation to Ms. Casto. Ms. Casto presented a statistically oriented presentation to the Audit Committee. She noted her research showed currently the Bureau, by applying the Medicare outlier methodology, had a statistically significant finding of 20% outlier cases. Medicare typically only had a range of outlier cases of 5-6%, last year being at 5.1%. Private insurers had outlier cases at 6-8% of total payments.

Ms. Casto looked at the Medicare outlier methodology and examined whether or not it would work in Ohio's workers' compensation system. She noted four other states – Texas, South Carolina, North Dakota, and California – have adopted this methodology. Ms. Casto determined, by increasing the outlier level to 120%, instead of its current 115%, would reduce outlier cases to approximately 9%. Additionally, Ms. Casto noted the total aggregate payments for these services would increase approximately 3.6% in the coming year, which is consistent with the Consumer Price Index.

Mr. Lhota noted some confusion in interpreting the data. Ms. Casto discussed many of the statistical findings from her analysis, which were taken from data in 2007 and the first two quarters of 2008. Ms. Casto reiterated her belief that raising the outlier threshold 5% from 115% to 120% would improve payments to hospitals without causing an inadequate payment schedule. Furthermore, Ms. Casto was of the opinion the changes would encourage hospitals to engage in cost containment measures.

Mr. Pitts inquired whether this schedule is factor static, or did it vary by procedure or by location. Ms. Casto noted the factor varied year to year and was

dependent upon each facility. Mr. Coury also noted the DRG program was hospital specific.

Mr. Matesich inquired why the changes were being made, and whether the changes intended to become more in line with commercial payers. Ms. Casto noted the 20% outlier finding in her study was a significantly high figure. Ms. Casto deduced through her analysis that the outlier rate was high because the current methodology was considering cases to be outliers that truly were not outliers. Mr. Matesich asked if there would be any significant changes to injured workers. Ms. Casto reiterated Mr. Coury's statement that the Bureau will continue to adequately reimburse and hospitals will continue to accept injured workers as patients. Mr. Coury noted that OHA was cautiously endorsing the proposed change, and their concern appeared to be whether the increase from 115% to 120% will be sufficient to offset payment for outlier cases. Mr. Matesich inquired if there were any statistical differences from a geographical perspective as to how this methodology would impact hospitals. Ms. Casto noted about 50 institutions had outliers, and they varied greatly in a variety of factors. Ms. Casto noted no one institution was detected to have an abnormally high amount of outlier cases; however, Mr. Coury did not dismiss the possibility that there might be an institution abnormally impacted. Mr. Coury added that no single institution complained although very specific data was provided to OHA at the August 20th meeting.

Mr. Harris inquired as to whether an argument could be made that BWC was funding hospitals for lack of payment through Medicare. Mr. Coury responded the hospital community does in fact regularly state that Medicare does not pay enough; however, due diligence was done by the Bureau to use the Medicare outlier methodology with an adjustment factor. Ms. Casto noted some states use a 140% over the board payment scheme over what Medicare will pay, but that scheme did not incorporate outlier cases. Ms. Casto was of the opinion, based on her research, a flat rate scheme would not work in Ohio. She cited commercial payers are at 42% of billed charges, and Medicare was at 25% of billed charges. Texas' workers' compensation system was at 30% of billed charges, and the target set forth in her analysis was for Ohio's workers' compensation system to be at 40% of billed charges.

Mr. Pitts inquired if there was any incentive to allow providers to manipulate a case into an outlier category. Ms. Casto, in her opinion, believed the incentive had been eliminated, or at least greatly reduced, under the current proposal.

Mr. Lhota moved for the Audit Committee to recommend that the Board of Directors approve the Administrator's recommendation to amend Ohio Admin. Code Section 4123-6-37.1 as presented. Mr. Smith seconded the motion, and the motion passed by a unanimous roll call vote.

4. Audit Committee Charter Review

Mr. Donald C. Berno, Liaison for the Board of Directors, discussed recommended changes in the Audit Committee's Charter in the duties and responsibilities, including new provisions. First, Mr. Berno noted that the Committee is

considering a change in name to “Audit and Finance Committee” to reflect its duties with respect to Bureau finances. Mr. Haffey noted he looked for professional ethical standards for finance committees in making recommendations for changes in the Audit Committee’s Charter regarding inclusion of ethical standards.

At approximately 5:15 P.M., after a short break, Ms. Alison Falls participated in this discussion by way of telephone, and her participation continued until approximately 5:38 P.M.

Mr. Lhota inquired if the Governance Committee Charter discussed ethics. Ms. Ann Shannon, Legal Counsel, agreed to research this issue for the Audit Committee.

Ms. Falls inquired as to whether the budget should be reviewed monthly or quarterly. After some discussion on this topic by the Audit Committee members, Mr. Smith recommended the Audit Committee Charter should be reflected to indicate that the budget should be reviewed at each Audit Committee meeting, which is required at a minimum of nine times per year.

Ms. Falls inquired as to whether the Audit Committee approves the rules for the Board of Directors, or recommends rules for approval by the Board of Directors. Mr. Smith pointed out the Audit Committee’s Charter gives guidance on how to address rules. Mr. Berno noted the Audit Committee currently presents rules for recommended approval to the Board of Directors. Mr. Berno also noted that all rate rules go to the Actuarial Committee, and there was nothing included in the Actuarial Committee Charter regarding this rule making authority.

Ms. Falls noted to the Audit Committee that net asset policy was coming upon the Actuarial Committee’s calendar, and it will be presented to the Board of Directors. Ms. Falls recommended a provision be included in all committee charters that the committees need to coordinate with each other, or at least discussion was needed on that point.

Ms. Falls noted a discussion topic with Section 19 of the Audit Committee’s Charter. She inquired whether this catchall provision should be in all committee charters, or just the Audit Committee Charter. Mr. Lhota and Mr. Haffey were indifferent on the issue. Mr. Smith suggested that this item go under the “purpose” section of the charter instead. The Committee also discussed Section 22 of the Audit Committee’s Charter. Ms. Falls noted that the Governance Committee also handles issues of ethics. Mr. Coury noted that there were two separate but distinct ethical issues to be considered. Mr. Coury noted the Board of Directors needed to set ethical standards for its own governance, whereas the agency, through Administrator Ryan and rules and regulations, sets ethical standards for the agency and its employees. The issues can be different, and both Mr. Smith and Mr. Lhota noted Mr. Coury made a good point. Ms. Murdock noted the IIA standards require the internal auditors to take an active role in the ethical culture and the audit would be presented to the Audit Committee.

Mr. Lhota made a suggestion of consideration of whether recusal issues should be included in the charter. Upon further discussion, it was decided since that issue is addressed in the Governance Guidelines, it was not necessary to include it in the charter.

The Audit Committee agreed the charter revisions needed to be discussed further at the next meeting.

DISCUSSION ITEMS

Ms. Tracy Valentino, Chief of Fiscal and Planning, provided an update on the Bureau's pending external audit. Ms. Valentino reported the "yellow book" audit had been timely submitted by the Bureau to the Auditor of State's Office. Ms. Valentino could not discuss the audit findings, which were performed by Schneider and Downs, until the Auditor of State released its findings. Ms. Valentino stated it was customary in an election year for the Auditor of State not to release or approve audit findings thirty days before an election. Consequently, she expected the Auditor of State to release the report in mid November. Ms. Valentino believed the audit findings would be available for discussion at the next Audit Committee meeting. Ms. Valentino was of the belief, at this time, there were no significant findings in the audit, and small issues discovered in the audit would be addressed at the next meeting.

Ms. Murdock appeared before the Audit Committee for a roundtable discussion. Mr. Haffey asked Ms. Murdock as to progression with staffing internal auditors. Ms. Murdock indicated the staffing was progressing. She noted she was awaiting background checks at the present time, and five internal applicants had passed proficiency tests.

EXECUTIVE SESSION

At 5:45 PM, Mr. Lhota moved for the Audit Committee to go into Executive Session pursuant to Ohio Rev. Code Sec. 121.22(G)(3) for the purpose of discussing pending litigation. The motion was seconded by Mr. Smith, and the motion passed by unanimous roll call vote.

At 6:05 PM, Mr. Matesich moved for the Audit Committee to leave Executive Session. The motion was seconded by Mr. Lhota, and the motion passed by unanimous roll call vote.

ADJOURNMENT

Mr. Haffey moved to adjourn the meeting at 6:05 PM, seconded by Mr. Harris. The meeting adjourned with a unanimous roll call vote.

Prepared by Michael J. Sourek, Staff Counsel
November 3, 2008

**BWC Board of Directors
Audit Committee**
FY 09 1ST Quarter Executive Summary Report

November 20, 2008

Caren Murdock, Chief of Internal Audit
Rich Ridewood, IT Audit Director
Karl Zarins, Internal Audit Director
Keith Elliott, Senior Manager

30 W. Spring St.
Columbus OH 43215-2256

To: Audit Committee Members
From: Caren Murdock, Chief of Internal Audit
Date: November 20, 2008

Fiscal Year 09 1ST Quarter Executive Summary report

Following you will find the Fiscal Year 2009 1st Quarter Executive Summary report containing:

1. Audit comment status
 - 1a. Comments issued 1st quarter
 - 1b. Comments outstanding as of September 30, 2008
2. Audit follow-up procedures
3. Audit comment rating criteria
4. Fiscal Year 09 Audit Plan

**BWC INTERNAL AUDIT DIVISION
COMMENTS ISSUED – 1ST QUARTER ACTIVITY**

Lump Sum Settlement Process Audit – October 2008

Business areas: Customer Services and Legal

The objective of the audit was to assist management in evaluating the Lump Sum Settlement (LSS) process by reviewing key compliance and internal control related components of processing and administering settlements. The audit scope consisted of settled claims processed from May 1, 2007 through April 30, 2008.

Activity Reviewed:

- Evaluated if current internal controls were adequately designed and implemented for processing and administering the LSS process;
- Determined the adequacy of controls for the settlement process to ensure proper authorization;
- Verified compliance with BWC policy, procedures and statutory requirements;
- Assessed the adequacy of existing quality assurance procedures in place; and
- Evaluated whether the LSS process is efficiently and effectively administered.

Recommendation		Disposition
1	Define the mission of the settlement process and clearly describe measurable agency-wide goals and objectives for the program. Additionally, develop a process to identify claims that should be settled and evaluate the impact on actuarial reserves and investments. Significance Rating: Material Weakness	A private consultant will be retained to assess BWC's settlement program as a claims resolution strategy and to assist BWC with development of a comprehensive administrative claims settlement program. Responsible Chief: Chief of Customer Services Target Resolution Date: February 2009
2	Develop agency-wide policies and procedures, and process mapping of the settlement process. Significance Rating: Material Weakness	Policies and procedures will be developed and value stream mapping encompassing all policies, procedures, and workflows will be documented and archived in Enterprise Repository. Responsible Chief: Chief of Customer Services Target Resolution Date: February 2009
3	Use data warehouse queries to enable settlement claim reviews prior to the expiration of the 30-day waiting period and expand the Comp Audit Tool to verify referral to Industrial Commission (IC). Significance Rating: Material Weakness	Two new LSS reviews are being piloted and the claims audit tool will be updated to include verification that the IC packet has been imaged and signed. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
4	Implement a process to ensure the Lead Attorney or Lead Attorney Auditor performs	Review of Lead Audit Attorney and Settlement Attorney audits will be

	Recommendation	Disposition
	audits, consistent with policy. Significance Rating: Material Weakness	performed to ensure timeliness of audits. The LSS Policy will also be clarified regarding audit responsibilities. Responsible Chief: Chief Legal Officer Target Resolution Date: October 2009
5	Conduct trending and analysis of settled claims to identify whether goals and objectives are being met and expand management reporting to address analysis of performance with identified goals and objectives. Significance Rating: Significant Weakness	A private consultant will be retained to assist BWC with industry benchmarking of claims settlement best practices. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
6	Develop and implement policies and procedures on fast track settlement days and consider limiting the fast track population of qualified claimants to the less complex claims. Significance Rating: Significant Weakness	Fast Track Settlement Days have been discontinued and Fast Track Settlements have been suspended pending establishment of a clear mission statement with goals. Responsible Chief: Chief Legal Officer Target Resolution Date: Program Suspension: Immediate. Continuing Status of Fast Track Settlement Program: June 2009
7	Provide negotiating and settlement training for the service office Injury Management Supervisor (IMS) and LSS staff in order to promote an effective settlement process. Significance Rating: Significant Weakness	Negotiation and settlement training will be provided to IMS and LSS staff. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
8	Establish an evaluation assessment program that ensures a quality and timely assessment that supports their recommendations regarding injured worker (IW) employability. Significance Rating: Significant Weakness	BWC received approval to contract for a vocational rehabilitation provider panel. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2009
9	Evaluate the Medicare Secondary Payer (MSP) laws for BWC potential liability and risk exposure and develop a Position (White) Paper to document the position of BWC. Significance Rating: Significant Weakness	A White Paper will be prepared for Senior Management documenting BWC's positions regarding the MSP and its implications for the settlement of claims. Responsible Chief: Chief Legal Officer Target Resolution Date: June 2009
10	Develop and implement a process to verify the compensation audits are performed accurately and in accordance with policy. Significance Rating: Significant Weakness	Staff has been counseled and weekly data warehouse reports are used to verify compliance with Quality Assurance (QA) policy. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
11	Require the IMS to verify the e-mail authorizing the final settlement amount	The settlement Claim Audit tool will be amended to include verification of approval.

	Recommendation	Disposition
12	exists. Significance Rating: Significant Weakness	Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
13	Establish a new timeline to review the LSS/ Customer Service Specialist (CSS) claims and supplement Doc View reports to identify claims in the settlement pending status for testing selection. Significance Rating: Significant Weakness	Two new LSS reviews are being piloted, one at the time the plan is created and the other at the expiration of the waiting period. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
14	Establish controls to ensure the LSS payments are reviewed in accordance with policy. Significance Rating: Significant Weakness	Policy will be amended to require Service Office Managers to monitor and sample IMS Claims Audits for compliance with policy. Communication will be issued to IMSs regarding the importance of completing claims audits timely. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
15	Collaborate with applicable units to determine the best process for terminating/suspending pharmaceutical benefits and update policy to reflect current practice. Significance Rating: Significant Weakness	Management will collaborate and determine the best process for terminating and suspending medical and pharmaceutical benefits. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2009
16	Establish settlement file and supporting documentation controls, in accordance with policy. Significance Rating: Significant Weakness	A centralized folder has been created for e-mail authority and a secure centralized storage for settlement documents \$200,000 and above has been created. Responsible Chief: Chief Legal Officer Target Resolution Date: October 2008
16	Consider reviewing other state statutes for compensation of IW attorneys to determine best practices that promote an alignment of incentives with IW interests. Significance Rating: Significant Weakness	Research will be conducted regarding how Ohio compares to other states regarding attorney compensation in workers' compensation settlements. The Legal Division will include such results to IC, along with any recommendations. Responsible Chief: Chief Legal Officer Target Resolution Date: June 2009

Auditor Opinion:

In general, internal controls for the Lump Sum Settlement process are adequately designed but poorly implemented. While the Internal Audit Division (IAD) was able to eventually verify proper authorization of LSS claims, the QA function was not performed timely, consistently, or with sufficient frequency. As a result, exceptions to BWC policy, procedures, and statutory requirements were noted during testing. Management should take immediate action to fully implement QA policies and perform these reviews timely. Management is generally in

agreement with the audit findings and recommendations. The audit also identified two minor recommendations for management's consideration.

Permanent Partial Awards Audit – October 2008

Business area: Customer Services

The objective of the audit was to assist management in evaluating the Permanent Partial (PP) Benefits claims process by reviewing internal controls and compliance with statutory requirements and BWC policies and procedures. The audit scope consisted of a review of Permanent Partial Benefits Claims awards processed between June 1, 2007 and May 31, 2008.

Activity Reviewed:

- Evaluated if current internal controls were adequately designed for processing and administering permanent partial awards;
- Determined if PP claims are processed in accordance with overall BWC policy/procedures and statutory requirements; and
- Evaluated whether the PP process is efficiently and effectively administered.

Recommendation		Disposition
1	Perform data warehouse searches to identify potential PP awards not processed timely; consider updating Version 3 (V3) to provide prompts notifying the CSS when an amputation condition is added to the claim; and correct the errors noted during testing. Significance Rating: Significant Weakness	Current policy requirements will be reviewed with field staff during policy training scheduled January 2009. Field Operations will implement a data warehouse reporting identifying potential PP awards. The errors have been corrected. Responsible Chief: Chief of Customer Services Target Resolution Date: January 2009
2	Conduct periodic refresher training for CSSs and BWC Nurses on PP Policies & Procedures; revise the claim audit tool to require IMS review medical documentation; and conduct periodic refresher training for the IMS on best practices. Significance Rating: Significant Weakness	The policy will be reviewed with field staff; changes will be made to the claims audit tool; and the IMS will review medical documentation. Responsible Chief: Chief of Customer Services Target Resolution Date: Review of Medical Documentation October 2008; Policy Review with Staff January 2009; Audit Tool Modifications June 2009

Auditor Opinion:

In most respects, the Permanent Partial Benefits claims process has effectively designed controls promoting claims processing consistent with BWC policies, procedures, and statutory requirements. PP claims processing is generally efficiently and effectively administered. However, management should seek to mitigate the risk that potential PP claims are not identified, and therefore, never become subject to the PP claims process controls. Furthermore, management should enhance the implementation of current internal controls to ensure that medical documentation is evaluated during the quality control process against claim data entered into V3. Management should take all steps necessary to insure that scheduled loss awards are

processed timely and correctly. Management is generally in agreement with the audit findings and recommendations. The audit also identified two minor recommendations for management's consideration.

Managed Care Organization (MCO) Audit #5 – October 2008
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This audit focused primarily on the evaluation of internal controls and compliance with contractually required policies and procedures established by BWC. The audit scope consisted of payment transactions completed between January 1, 2007 and May 31, 2008. The audit included a review of the following:

Activity Reviewed:

- Evaluated internal control design and whether controls were placed in operation;
- Assessed compliance with contract requirements and policy established by BWC;
- Areas of focus included:
 - Case management;
 - Provider account controls and accuracy;
 - Bill processing;
 - Resolution of prior audit recommendations (BWC issues, SAS 70 audit findings, external auditor issues); and
 - Review of key outsourced operations at vendor locations.

Recommendation		Disposition
1	Take steps to ensure that the required bank account and zero balancing reconciliations of the provider account are performed as required by the contract. Significance Rating: Material Weakness	MCO management has developed a tool to assist in the reconciliation process with identifying and netting outstanding items. MCO management has made excellent strides in this area and has been keeping BWC personnel apprised of its progress. Full resolution is anticipated at year-end. Target Resolution Date: January 2009
2	Monitor and research payments that have not cleared within 90 days, as required by the contract. Establish controls to verify the outstanding check listing contains only checks that have not cleared the bank. Significance Rating: Significant Weakness	Outstanding checks were fully resolved within 120 days. The report that was provided to BWC personnel did show some checks that appeared to be outstanding when in fact they were not. Reporting tools are now accurate and reflect correct information. Current Resolution Status: Implemented
3	Log all provider checks immediately upon receipt and forward the log to Accounting, where log should be reviewed to verify all checks received were appropriately deposited. Significance Rating: Significant Weakness	MCO management will develop a system to track incoming provider checks and verify deposits for provider refunds. Target Resolution Date: November 2008
4	Revise backup procedures to require encryption of all devices prior to delivery to external vendors.	MCO management is working with corporate entities to determine the most appropriate solutions. Several options are

	Recommendation	Disposition
	Significance Rating: Significant Weakness	being explored including a tapeless backup solution that will allow on-site backups. Target Resolution Date: March 2009
5	Implement steps to ensure provider bills are submitted and paid according to policy. Significance Rating: Significant Weakness	MCO management agrees with the results of the sample conducted during the audit; however, the sample is not indicative of the MCO's day-to-day performance. Year-to-date average bill turnaround time at the time of the audit as reported by BWC on the MCO Weekly Summary was below 6 days. Current year-to-date turnaround time is less than 7 days. MCO management disagrees with the Significant Weakness designation based on year-to-date results and welcomes another audit sample. Current Resolution Status: Implemented
6	Develop controls to provide assurance that the retrospective bill reviews for invoices from states contiguous to Ohio are performed as required by the contract. Significance Rating: Significant Weakness	MCO management resolved this issue immediately upon notification by BWC Audit staff. Current Resolution Status: Implemented
7	Revise policies and procedures to include an explanation of the purpose for retrospective in-patient hospital reviews and detailed procedures, including documentation of results. Significance Rating: Significant Weakness	MCO management agrees with the audit recommendations of revisions to the policies and procedures. However, MCO management feels that since there have been no noted weaknesses to past or current performance as it relate to in-patient bill reviews, a designation of Significant Weakness is excessive. MCO policies related to this matter have been revised to include more details relating to systematic processes. Current Resolution Status: Implemented
8	Consider expanding the scope of the QA reviews to include other critical areas of operations. Significance Rating: Significant Weakness	Although MCO management appreciates BWC Auditors' suggestions regarding the additional areas of emphasis of the MCO QA Department, the MCO is compliant with section 1G of the 2008 MCO/BWC Agreement. The MCO does audit treatment decisions and billing procedures in connection with approved treatment requests (as noted in the agreement). The MCO also had reviewed and still reviews EOB 776 bills as recommended by BWC in the audit findings. MCO management reserves the right to determine additional areas of focus of its QA department.

Recommendation	Disposition
	Current Resolution Status: Not Implemented

Auditor Opinion:

Overall, internal controls for the MCO were generally well designed and functioning effectively. However, the audit identified a material weakness related to the reconciliations of the provider account, which should receive immediate attention from the MCO management. This issue has been noted as a weakness in prior audits and has not been appropriately resolved. Management is generally in agreement with the audit findings and recommendations. The audit also identified two minor recommendations for management’s consideration.

IT Physical and Environmental Security – October 2008
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Business area: Infrastructure and Technology

The BWC IAD conducted an audit of the Physical and Environmental Security of the Infrastructure and Technology (IT) area, particularly as it relates to the operation of the production data center in the William Green Building. The purpose of the audit was to assist management in evaluating controls over IT security policies and procedures, environment (e.g., fire suppression), and physical access to the facility. The audit scope included a review of the following:

Activity Reviewed:

- Determined if there are appropriate documented policies and procedures in place;
- Evaluated the adequacy of internal controls for physical access to the facilities, transmission media, and display media;
- Assessed the adequacy of protection and controls for power and cabling; and
- Evaluated the adequacy of protection for fire, temperature, humidity, water, and electromagnetism.

Recommendation	Disposition
1 Develop, publish, disseminate, maintain, and regularly provide training for IT physical and environmental protection policies and procedures. Significance Rating: Material Weakness	Management will develop comprehensive physical and environmental security policy and procedures and submit them for review and approval; distribute to affected parties; and develop plans to alter existing procedures to conform to the new policies and procedures. Responsible Chief: Chief Information Officer Target Resolution Date: March 2009
2 Include in the security policy a statement regarding the regular review by IT and user departments of the list of people with access to secure IT sites, and execute as stated.	Management will schedule a review of access lists and current authorization, and Security Team will incorporate language in policies and procedures to address periodic

	Recommendation	Disposition
	Significance Rating: Significant Weakness	reviews of access lists and maintenance of a central repository of associated authorizations. Responsible Chief: Chief Information Officer Target Resolution Date: March 2009
3	Include in the security policy a statement regarding the regular review by IT and user department of the access logs to secure IT sites, and execute as stated. Significance Rating: Significant Weakness	Management will complete a review of access logs to secure IT sites, and incorporate language in policies and procedures to address periodic reviews of these access logs. Responsible Chief: Chief Information Officer Target Resolution Date: March 2009
4	Establish a policy for the frequency of penetration testing. Significance Rating: Significant Weakness	Management will establish policy to cover the frequency and depth of penetration/vulnerability tests. Responsible Chief: Chief Information Officer Target Resolution Date: December 2008
5	Develop policies and procedures around key management to help control and account for keys for all locked areas. Significance Rating: Significant Weakness	Management will identify individuals with keys, and create a system to control the issuance and inventory of keys, periodic review of the inventory, and retrieval when an employee leaves the bureau. Responsible Chief: Chief Information Officer Target Resolution Date: December 2008

Auditor Opinion:

In general, the internal controls appear to be adequate to prevent external penetration and compromising of the data center. In addition, internal controls appear to be adequate for power and cabling, and to protect the facilities from harm due to fire, temperature, humidity, water, and electromagnetism. However, the audit identified a number of policies and procedures that need to be formalized and/or updated. Management agrees with the recommendations and has committed to an action plan for implementing or updating/formalizing their policies and procedures. The audit also identified five minor recommendations for management's consideration.

**BWC INTERNAL AUDIT DIVISION
 COMMENTS ISSUED – 1ST QUARTER ACTIVITY
 BWC INTERNAL AUDIT DIVISION
 OUTSTANDING COMMENTS AS OF SEPTEMBER 30, 2008**

Non-Complying Employer Audit – August 2004

Recommendation		Disposition
1	BWC currently does not lapse employers that do not pay all premium amounts owed within a designated time period. While the remaining balances are certified to the Attorney General for collection, the employer continues to have active coverage. This is contrary to industry standard practice.	<p>Management has implemented a process in which employers are lapsed if they fail to pay at least 65% of the premium amounts owed. While management is considering moving the percentage from 65% to 85%, due to cost benefit considerations, resource constraints, and the existing process for certifying unpaid amounts to the Attorney General's Office for collection, management does not intend to implement a procedure to lapse all employers failing to pay all premium amounts owed.</p> <p>Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: December 2007 December 2008 Current Resolution Status: Partially Implemented</p>

Bankrupt Self-Insured Claims – March 2006

Recommendation		Disposition
1	Consider a legislative change to permit BWC to offset Permanent Total Disability compensation for an injured worker receiving Social Security Retirement benefits, potentially saving \$60 million annually; “grandfather-in” current PTD recipients receiving both benefits to avoid financial hardship to those individuals.	<p>The Deloitte Study is evaluating rates, reserves, surplus and a wide spectrum of IW compensation issues. Management has tabled this issue until conclusion of the Deloitte Study in December 2008.</p> <p>Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 – Study, March 2009 – BWC Action Current Resolution Status: In-process</p>

Medical Billing and Adjustments – May 2006

Recommendation		Disposition
1	There is a general lack of controls over the identification and processing of medical bill	The Micro Insurance Reserving Analysis (MIRA) II team will not be ready to

Recommendation		Disposition
	<p>adjustments which result in the need to adjust the employers' claims experience data. Significance Rating: Significant Weakness</p>	<p>implement the electronic adjustment file until later in the year. However, they may be ready to implement with the third quarter file in Oct/Nov 2008 using the quarter ending claim cost files to identify the adjustments. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: September 2008 December 2008 (IT related) Current Resolution Status: In-process</p>
2	<p>To ensure the current interest payment methodology operates in accordance with statutory requirements, obtain clarification regarding the correct interest payment calculation and ensure Medical Invoice Information System (MIIS) and Cambridge Systems calculations are consistent. Significance Rating: Significant Weakness</p>	<p>Further analysis showed a new resolution was required. Therefore, a preliminary meeting is planned to discuss requirements for implementing the interest calculation. This project is being added in Clarity using the EPMO model for project management. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: September 2008 December 2008 (IT related) Current Resolution Status: In-process</p>
3	<p>There are currently two active systems in place for processing medical payments with limited Infrastructure & Technology and Health Partnership Program technical support. Maintenance of the two systems is inefficient and results in increased systems maintenance costs. Significance Rating: Significant Weakness</p>	<p>The RFP evaluation committee has selected Cambridge as the medical bill payment vendor. However, a process work group is studying the bill payment process to formulate a long-term plan. As part of this study, timelines and action plans will be developed to transition from the MIIS system to the Cambridge system. This group's work is scheduled to be concluded in December 2008. Therefore, the timeline has not yet been developed that would provide a more accurate date for total shutdown of MIIS. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 (IT related) Not Determinable Until December 2008 Current Resolution Status: In-process</p>

Risk/Employer Operational Review – June 2006

Recommendation		Disposition
1	Policy and procedures were not written for	The four remaining core procedures are on

	Recommendation	Disposition
	<p>most functions and activities. Significance Rating: Significant Weakness</p>	<p>schedule to be completed. All procedures will be completed by October 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: July 2008 October 2008 Current Resolution Status: In-process</p>
2	<p>BWC does not ensure all employers under jurisdiction of Ohio workers' compensation laws have obtained workers' compensation coverage. Systematic cross checks should exist with other state agencies. Significance Rating: Material Weakness</p>	<p>The Employer Compliance project team completed its recommendations and issued its report in May 2008. Management accepted the team's recommendations and laid out a 3 phase implementation plan. Management, in conjunction with OCSEA labor union leadership, instituted a voluntary canvassing of existing BWC employees to fill the new unit. Six staff members were chosen for phase I rollout and were trained during July 2008. The compliance team officially began in August 2008. Phase II will begin in the fall of 2008 and the final phase (Phase III) will complete statewide rollout in first quarter 2009. Responsible Chief: Chief of Customer Services Target Resolution Date: August 2008 – Phase I and March 2009 for remaining phases Current Resolution Status: In-process</p>
3	<p>Minimum premiums may not be adequate. The recently revised Ohio Administrative Code Section 4123-17-26, (administrative charge rule) has been increased to cover the administrative expense of maintaining the policies that report no payroll. However, there is still inherent risk with the policies that have greater exposure due to industry type. Significance Rating: Material Weakness</p>	<p>Awaiting results from the Deloitte study. Designated Chief: Chief Actuarial Officer Target Resolution Date: December 2007 (RFP issuance); December 2008 (consultant report) Current Resolution Status: In-process</p>
4	<p>Current process controls do not adequately identify duplicate employer policies. Employers can avoid higher premiums by acquiring a new policy, while having an existing policy for the same business. Significance Rating: Significant Weakness</p>	<p>System change requests are being reevaluated. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 September 2008 (IT related) Current Resolution Status: In-process</p>
5	<p>When payroll reports are received there is no review to determine if estimated Premium</p>	<p>This project is being prioritized by the Employers Services change management</p>

Recommendation	Disposition
<p>Security Deposits are correct. The lack of review could result in lost revenue due to under reported estimates for premium security deposits. Significance Rating: Significant Weakness</p>	<p>team, but is not yet scheduled. The Deloitte Study will also evaluate this issue and is due to be completed by December 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 (IT related) Current Resolution Status: In-process</p>

Time Reporting and Leave Usage – August 2006

Recommendation	Disposition
<p>1 Develop controls to validate that payroll report information is entered accurately and completely into the database system and that the amounts in the payroll disbursement journals agree with the information on the payroll reports. Significance Rating: Significant Weakness</p>	<p>The implementation of Ohio Administrative Knowledge System (OAKs) and the electronic entry and approval of employee time has improved controls to help ensure accuracy of payroll information. Fiscal and Planning staff continue to work with OAKs personnel to develop a report of payroll adjustments to provide assurance that only properly approved adjustments to payroll information are performed. The OAKs system at this time does not accommodate this type of report and additional time has been required to develop it. Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: October 2007 May 2008 September 2008 Current Resolution Status: In-process</p>

Claims Operational Review – September 2006

Recommendation	Disposition
<p>1 Systematically assign new injury claims filed with no return to work date and an ICD-9 code to the lost time service offices. Significance Rating: Significant Weakness</p>	<p>The triage system change has been evaluated as a Tier 2 enterprise initiative. Following planning and implementation of all strategic initiatives, Tier 2 initiatives will be scheduled based upon available resources. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 (IT related) Current Resolution Status: In-process</p>

Recommendation	Disposition
<p>2 Enhance current V3 system to link an injured worker with multiple claims to the same case manager or team. Significance Rating: Significant Weakness</p>	<p>The service delivery and response allocation study is complete and staffing priorities are being addressed as resources become available. For example, we are reviewing reallocating death and Permanent Total Disability claims to specialized regional teams. We will also establish new processes to address other inefficiencies highlighted in the study. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 June 2009 Current Resolution Status: In-process</p>
<p>3 Research, benchmark, and devote the resources necessary to create, train, and implement the use of pertinent, financially focused performance and outcome measurements to support the staffing process. Significance Rating: Significant Weakness</p>	<p>The study is complete and staffing priorities are being addressed as resources become available. For example, we are reviewing reallocating death and Permanent Total Disability claims to specialized regional teams. We will also establish new processes to address other inefficiencies highlighted in the study. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 June 2009 Current Resolution Status: In-process</p>

Indemnity Claims Overpayment Audit – October 2006

Recommendation	Disposition
<p>1 Implement procedures requiring supervisory review and approval of requests for the removal or adjustment of overpayment amounts. Significance Rating: Significant Weakness</p>	<p>The overpayment policy is currently under review as part of the yearly review process. The IMS review process will be verified and policy updated accordingly. Responsible Chief: Chief of Customer Services Target Resolution Date: February 2008 May 2008 September 2008 (policy) Current Resolution Status: In-process</p>
<p>2 To effectively collect IW overpayments, determine best practices for IW overpayment collection and request legislative changes allowing the BWC to adopt the best practices identified. Significance Rating: Significant Weakness</p>	<p>Overpayments are recouped to the extent allowed by existing legislation. Project has been delayed by other business priorities and staffing issues. Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: January 2008</p>

Recommendation		Disposition
		December 2008 Current Resolution Status: In-process

Manual Override – December 2006

Recommendation		Disposition
1	Resolve the current rating inequity between group rated and non-group rated employers. Management should also adopt standard controls to prevent rate manipulation by employer groups. Possible corrective actions could include restoring credibility factors assigned to employer groups to levels consistent with sound actuarial standards and prohibiting groups from utilizing claims experience as an eligibility criterion for group participation. Significance Rating: Material Weakness	Three teams of BWC staff and consultants are addressing the multi-year transition to the split plan by July 2011, development of performance based premium options for employers (e.g., deductibles, shared savings plans), and communications and outreach with all stakeholders. Group structural and governance rules are being developed along with all details of the plan as its implementation progresses. Responsible Chief: Chief Actuarial Officer Target Resolution Date: December 2006 (actuarial study); July 2009 July 2011 (implementation plan) Current Resolution Status: In-process

Information Technology General and Application Controls Risk Assessment – January 2007

The IAD worked together with the IT Division to voluntarily contract with an external auditing firm to perform a baseline review of the internal general and applications controls of BWC's IT Division.

Recommendation		Disposition
1	Security violation and monitoring is not in effect for all computer environments or applications. Therefore, trending or advanced analysis for security violations is not performed. Significance Rating: Material Weakness	IT completed the initial installation of the monitoring/logging software for the targeted servers as planned in August 2008. Since then, the IT team has been validating the logging information that is being gathered and refining the processes. The team still plans to document the technical environment, the alarm processes, and the auditing and logging policies; and to examine the feasibility of expanding to other servers. Responsible Chief: Chief Information

Recommendation		Disposition
		Officer Target Resolution Date: March 2008 June 2008 August 2008 December 2008 Current Resolution Status: In-process
2	Powerful IDs are neither logged nor monitored. Therefore, activities performed using a powerful ID (e.g., default database, system, or network administrator account) or powerful utility are neither captured nor reviewed. Significance Rating: Material Weakness	IT completed the initial installation of the monitoring/logging software for the targeted servers as planned in August 2008. Since then, the IT team has been validating the logging information that is being gathered and refining the processes. The team still plans to document the technical environment, the alarm processes, and the auditing and logging policies; and to examine the feasibility of expanding to other servers. Responsible Chief: Chief Information Officer Target Resolution Date: March 2008 June 2008 August 2008 December 2008 Current Resolution Status: In-process

Compensation Audit Review – March 2007

Recommendation		Disposition
1	Implement controls on Compensation Audits completed by the IMS/Service Office Managers to provide reasonable assurance that audits are completed accurately and consistently. Also, take appropriate steps to ensure IMS are properly utilizing the Compensation Audit Tool and apply a consistent audit methodology to each question. Significance Rating: Significant Weakness	Recommended changes and enhancements to the Claim Audit Tool have been submitted to Infrastructure & Technology for updates. Due to Office '07 conversion issues, the changes to the Access Database have not been completed. As an interim step, Field Operations Administration is utilizing data warehouse reports and review procedures to confirm that the following are being audited: 1) All payments greater than \$50,000; 2) All miscellaneous payments; 3) All lump sum advancements greater than \$10,000. This process is being utilized until the requested changes and enhancements for the Claim Audit Tool are completed. Responsible Chief: Chief of Customer Services Target Resolution Date: Field Operations – April 2007; Field Operations (QA Related) – February 2008 June 2008 March 2009 Current Resolution Status: In-process

Salary Continuation Program – March 2007

General Comment Regarding Resolution of Salary Continuation Audit Observations:

Since December 2007, management has taken several steps to mitigate the more critical data integrity and injured worker benefit accountability risks identified in the Salary Continuation audit. Most program changes took effect July 1, 2008. However, Deloitte has recently released their analysis of several BWC premium discount programs, including salary continuation. Based on their analysis, BWC management is now evaluating the effectiveness of those discount programs and their impact on employer premium rates. To that end, management is postponing any additional changes to the salary continuation program until December 2008, at which time product recommendations are targeted for delivery to the BWC Board of Directors.

Recommendation	Disposition
<p>1 Develop management reporting to ensure initial contacts and all ongoing contacts are being made in Salary Continuation (SC) claims. Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements. Conduct a data and status cleanup project on the SC claims in an “unknown” status. Amend the SC policy to clarify expectations, roles, and responsibilities of BWC as well as MCO staff.</p> <p>Significance Rating: Significant Weakness</p>	<p>Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007; April 2008 (“unknown claim” project clean up) May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
<p>2 Establish controls for monitoring and reporting wage submissions.</p> <p>Significance Rating: Significant Weakness</p>	<p>Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
<p>3 Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements.</p> <p>Significance Rating: Material Weakness</p>	<p>Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
<p>4 Ensure that injured workers receive sufficient information to make informed decisions concerning salary continuation.</p> <p>Significance Rating: Significant Weakness</p>	<p>Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 July 2008 March 2009 Current Resolution Status: In-process</p>
<p>5 Regarding lost time changeovers, BWC should ensure return to work dates, salary continuation, and lost time changeovers are</p>	<p>Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services</p>

	re-assigned to the proper service offices. Reserve these claims properly and apply the corrected dollar impacts to the premiums and to the state fund. Develop management reporting to keep future claims from being overlooked, and to eliminate adverse impacts to the state fund. Significance Rating: Material Weakness	Target Resolution Date: Staffing - February 2007; Procedure Updates - September 2007; Quality Control- Implemented - December 2007; Claim project clean up – April 2008 March 2009 Current Resolution Status: In-process
6	Revise the existing policy to contain clear and concise language for utilization of Independent Medical Exams (IME) and other claims management tools to avoid confusion and multiple interpretations. Ensure all IMEs are completed correctly and timely in accordance with BWC Policy. Significance Rating: Significant Weakness	Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 July 2008 March 2009 Current Resolution Status: In-process
7	Develop a standard referral system to identify, contact, educate, and track all employers who are not in compliance with the Salary Continuation Policy. Communicate to Field Operations that the Policy Department role is defining the policy, not enforcing the policy. Promulgate a formal rule to support program enforcement. Significance Rating: Material Weakness	Awaiting the results of the Deloitte Study. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 May 2008 December 2008 Current Resolution Status: In-process

Pharmacy Benefit Manager Audit – May 2007

Recommendation		Disposition
1	Develop payment structure that does not reimburse for drugs not dispensed. Significance Rating: Significant Weakness	Medical Services Division provided documentation to support the implementation of this recommendation to IA. Validation of these system changes will be performed by Compliance and Performance Monitoring (CPM) Department during the next on-site review of ACS during 1 st quarter of calendar year (CY) 2009. Internal Audit will validate the implementation of the recommendation after this on-site. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: July 2008 March 2009 Current Resolution Status: Implemented
2	Require vendor to resume imaging of bills and increase oversight.	The vendor has resumed imaging of bills. CPM was unable to validate the imaging of

Recommendation	Disposition
<p>Significance Rating: Significant Weakness</p>	<p>bills during the April 2008 on-site review. CPM is planning to validate at the Pharmacy Benefit Management vendor's Henderson, SC office during 4th quarter of CY 2008. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April-2008 December 2008 Current Resolution Status: In-process</p>
<p>3 Evaluate program resources, review contract, and require the vendor to submit an attestation letter stating that rebates and discounts have not been received. Significance Rating: Significant Weakness</p>	<p>BWC is analyzing the pharmacy consultant report to determine the best use of the information and which recommendations to implement. Those recommendations requiring a contract change will be incorporated into the Request for Proposals process and new contract implementation. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing) Current Resolution Status: In-process</p>
<p>4 Consider utilizing vendor's technology. Significance Rating: Significant Weakness</p>	<p>BWC has increased the utilization of the vendor's technology as evidenced by changes to the preferred drug list in both January and September of 2008; however, written policy and procedures were not documented. The Medical Services Division will document a policy and procedures for the on-going review and analysis of opportunities in which the vendor's technology can be tailored to BWC requirements for the purpose of improving administrative efficiencies. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: March 2008 June 2008 September 2008 December 2008 Current Resolution Status: In-process</p>
<p>5 Develop action plan to strengthen oversight and improve management of the program. Significance Rating: Significant Weakness</p>	<p>The Medical Services Division created a Pharmacy Program Department and a director level position to oversee and develop BWC's pharmacy program. The</p>

Recommendation	Disposition
	<p>new director, once hired, will report to BWC's Medical Director. Departmental responsibilities will include researching and implementing appropriate industry best practices; identifying trends; periodically analyzing the program for process improvements, to include customer service and cost savings; identifying appropriate contract requirements; and ensuring contract and program compliance. The Pharmacy Program Department will continue to seek guidance from the Pharmacy and Therapeutic committee as necessary. The CPM Department will monitor program outcomes and contract compliance.</p> <p>Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: September 2007 December 2009 Current Resolution Status: In Process</p>
<p>6 Periodically test transactions to ensure discounts are passed-through to BWC. Significance Rating: Significant Weakness</p>	<p>BWC is analyzing the pharmacy consultant report to determine the best use of the information and which recommendations to implement.</p> <p>Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008 August 2008 (complete analysis on pharmacy consultant report); October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing) Current Resolution Status: In-process</p>
<p>7 Conduct sufficient review and analysis to identify opportunities. Significance Rating: Significant Weakness</p>	<p>BWC is analyzing the pharmacy consultant report to determine the best use of the information and which recommendations to implement. Any program improvement opportunities requiring a contract language change would be implemented with the new contract period beginning July 2009.</p> <p>Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008</p>

Recommendation	Disposition
	<p>August 2008 (complete analysis on pharmacy consultant report); October 2008 (PBM contract RFP issued); December 2008 (RFP responses received and vendor selected); January 2009 (execute contract with new vendor); July 2009 (new contract effective date); October 2009 (complete compliance testing)</p> <p>Current Resolution Status: In-process</p>

Retrospective Rating Program Audit – June 2007

	Recommendation	Disposition
1	<p>Evaluate additional alternatives to augment, compliment, or replace financial statement audit requirements. Significance Rating: Significant Weakness</p>	<p>The Deloitte Study includes the Retro Program and BWC management is expecting comments regarding the audited financial requirement which will be considered at that time. Additionally, the product development team is researching best practices uses by other states and the entire program parameters. We are also in the process of issuing a RFI to understand what vendor products are currently available that would help us determine financial strength and creditworthiness. Additionally, a team is being formed to focus on public employer underwriting issues. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2007 (Recommendations to senior staff) December 2008 (Deloitte Study); July 2008 (implementation for private employers) and January 2009 (public entities) Current Resolution Status: In-process</p>
2	<p>Evaluate requirements and objectives of the program to ensure support exists for all goals and outcomes. Consider eliminating the allowance of any employer who is financially unstable, including employers who are in a part pay status from the program. Significance Rating: Material Weakness</p>	<p>The Deloitte Study includes the Retro Program and BWC management is expecting comments regarding the audited financial requirement which will be considered at that time. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 March 2009 Current Resolution Status: In-process</p>
3	<p>Develop ongoing reporting and conduct detailed trending and analysis of pertinent program management data. Significance Rating: Significant Weakness</p>	<p>Deloitte is conducting an analysis of the Retro Program in Fall 2008. These results with input from BWC's Actuarial Department are expected to address appropriate metrics and measurements. Until December 2008, the Retro Unit developed and is using a Bankruptcy Analysis Summary to track number of employers filing bankruptcy while still within the 10 year window of their Retro participation. Responsible Chief: Chief of Customer Services</p>

Recommendation	Disposition
	Target Resolution Date: April 2008 December 2008 (Deloitte Study) Management Action – March 2009 Current Resolution Status: In-process

Personal Trading Policy Consulting Project – October 2007

	Recommendation	Disposition
1	Establish a Personal Trading Compliance Committee to develop a personal trading policy and ongoing monitoring procedures for BWC. Significance Rating: Significant Weakness	The Personal Trading Policy Committee met and received legal advice from the Legal Division. Copies of internal trading policies from other entities were obtained. The Chief Ethics Officer and the Legal Division have met and Legal has developed a preliminary draft of the policy. After consultation with the Chief Investment Officer, the Chief Ethics Officer has revised the draft policy and submitted to Chief Investment Officer for further consultation. The committee will review and comment on the draft by November 2008. Responsible Chief: Chief Ethics Officer (consultation by Chief Investment Officer) Target Resolution Date: Committee formation – Implemented; Policy implementation – To be determined by committee October 2008 November 2008 Current Resolution Status – In-process

Investment Reconciliation Consulting Project – October 2007

	Recommendation	Disposition
1	Enhance month-end reporting standards placed on external investment managers and require them to report detailed holdings data. Reconcile returns calculated by the BWC's performance provider to those calculated by the external investment managers on a monthly basis. Significance Rating: Significant Weakness	Procedures have been formalized for the review of holdings reconciliations between BWC's book of business and the custodial bank. In addition, the recommended performance reconciliations are being performed. Management is in the process of formalizing the procedures for review of the performance reconciliations. Responsible Chief: Chief of Fiscal and Planning Target Resolution Date: April 2008 June 2008 August 2008 December 2008 Current Resolution Status – In-process

Vocational Rehabilitation Audit– October 2007

Recommendation	Disposition
<p>1 Implement processes to review the actual vocational rehabilitation costs billed in claims for reasonableness and appropriateness. Significance Rating: Material Weakness</p>	<p>Compliance and Performance Monitoring will create a query to be generated routinely by the Voc Rehab Policy department which identifies specific claims which are outliers for voc rehab service costs. The Voc Rehab Policy department will submit this report to the respective Disability Management Coordination (DMC) for review and follow-up. The Voc Rehab Policy department will accumulate the DMC responses and initiate actions as appropriate. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: April 2008 June 2008-December 2008 Current Resolution Status: In-process</p>
<p>2 Take steps to eliminate the potential conflict of interest created by MCOs that refer vocational rehabilitation cases to their related companies. Significance Rating: Material Weakness</p>	<p>The implementation of this recommendation will follow the successful implementation of the Vocational Rehabilitation (VR) redesign recommendations #2-6 and rule change. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 Current Resolution Status: In-process</p>
<p>3 Formalize policy regarding the authority of the DMCs to challenge MCO feasibility determinations. Significance Rating: Material Weakness</p>	<p>The implementation of this recommendation will follow the successful implementation of the VR redesign recommendations #2-6 and rule change. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 Current Resolution Status: In-process</p>
<p>4 Implement controls over the coordination agreement with the Rehabilitation Services Commission (RSC) to ensure costs expended under that program are only incurred for eligible injured workers and are reasonable and appropriate. Significance Rating: Material Weakness</p>	<p>BWC is reconciling information on an RSC prepared report to BWC data. A training date has been established for BWC to educate RSC on the process for requesting claimant eligibility. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 October 2008 Current Resolution Status: In-process</p>
<p>5 Establish effective quality assurance review procedures to ensure various controls and activities performed by DMCs are proper,</p>	<p>The Rehab Redesign team has completed the following: 1) development of DMC performance measures, 2) development of an</p>

Recommendation		Disposition
	<p>timely, and in accordance with policies and statutes. Significance Rating: Significant Weakness</p>	<p>audit tool for IMS to audit the DMC, 3) identification of new V3 diary categories for DMC and IMS accountability, 4) development of a DMC policy resource tool, and 5) identification of V3 screen tabs to track plan costs. In the interim period while resources are gathered to implement the above, the CST Team Leaders have received renewed direction to utilize the Case Action Reports. This is a 'stop light' report run weekly to show progress on individual cases on a DMC's caseload. The Team Leaders are now using this to assure DMC duties are completed timely. The Rehab Redesign Steering Committee has now approved the proposed recommendations. The Rehab Redesign Workgroup will outline the implementation plan by end of October 2008 to include resource restraints. After resource needs are presented and responded to by HR, Training and IT a new Target Resolution Date will be given. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: June 2008 August 2008 Target date will require modification, but reasonable date has not yet been identified. Current Resolution Status: In-process</p>
6	<p>Review credentialing and position requirements for DMC positions and ensure individuals possess the qualifications to manage the vocational rehabilitation process. Establish a process to monitor DMC certifications to ensure the required credentials are maintained. Significance Rating: Significant Weakness</p>	<p>The committee designated to implement the DMC agreement requirements will review the establishment of a process to monitor DMC certifications. The Medical Services Division will discuss this issue with the HR Division to determine the best location for this ongoing requirement. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: March 2008 October 2008 Current Resolution Status: In-process</p>

Managed Care Organization Audit # 2 – January 2008

Recommendation		Disposition
1	Take steps to improve the MCO's financial	MCO management has taken steps to resolve

Recommendation		Disposition
	condition to ensure quality service is not interrupted to injured workers, employers, providers and BWC. Significance Rating: Material Weakness	the financial difficulties experienced. Target Resolution Date: November 2008 Current Resolution Status: In-process
2	Establish processes to facilitate an annual review and testing of the entire disaster recovery plan and perform any necessary updates each year. Significance Rating: Significant Weakness	MCO management updated the disaster recovery plan and will work with their IT consultant to develop a process to periodically test the plan. Target Resolution Date: November 2008 Current Resolution Status: In-process
3	Establish processes and controls to help ensure audit findings are resolved within the contract timeframes. Take steps to refund the provider overpayments to BWC. Significance Rating: Significant Weakness	Management is in the process of recovering the provider overpayments and performing the required adjustments. Target Resolution Date: November 2008 Current Resolution Status: In-process

Permanent Total Disability Claims Audit – January 2008

Recommendation		Disposition
1	Meet with IT management and evaluate the cost benefit of updating the V3 system to better assist in the process of Permanent Total Disability and Disabled Workers' Relief Fund or develop compensating controls. Significance Rating: Significant Weakness	System changes will not likely occur. Management has three highly specialized functions, of which this is one, that will be regionalized. All will likely be implemented concurrently. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 Current Resolution Status: In-process
2	Review other alternatives for processing Permanent Total Disability (PTD) claims to provide more effective and efficient claim maintenance. Significance Rating: Significant Weakness	Management is reviewing and prioritizing recommendations for regionalizing the handling of PTD and Death claims in specialized offices. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 Current Resolution Status: In-process
3	Implement controls to ensure that Disabled Workers' Relief Fund (DWRF) overpayments are processed and recouped in accordance with statute and BWC policy. Significance Rating: Significant Weakness	The policy is on target. Responsible Chief: Chief of Customer Services Target Resolution Date: October 2008 Current Resolution Status: In-process
4	Establish the essential resources needed to complete the previous clean up project by identifying and reviewing claims that have never been reviewed and correcting those	All claims not requiring additional information from active self-insured employers (SI) are reviewed with approximately \$200,000 paid to injured

Recommendation	Disposition
<p>claims with outstanding errors. Significance Rating: Significant Weakness</p>	<p>workers. The remaining 1,838 claims and all new claims of active SI employers have been pushed to Phase IV of the project. Letters to SIs will be mailed and the completion of this phase depends on employer responses. Responsible Chief: Chief of Customer Services Target Resolution Date: June 2008 December 2008 Current Resolution Status: In-process</p>
<p>5 Implement processes and/or controls to monitor claims in which the IW has clearly retired (or is eligible for retirement) are calculated and paid appropriately. Significance Rating: Significant Weakness</p>	<p>Management has requested a system change control so the diary will post to the assigned and DWRP Claims Service Specialist when an injured worker reaches the age 62 and there is no retirement date in V3. Resources and timeframes have not been identified at this time. Responsible Chief: Chief of Customer Services Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
<p>6 Determine the overall impact and best course of action regarding the incorrect overpayments to ensure the accounts receivable balance and BWC financial statements are accurate, and identify and correct the erroneous DWRP overpayments. Significance Rating: Significant Weakness</p>	<p>Any system change to V-3 is unlikely to occur. We are reviewing DWRP overpayments with the intention of identifying inappropriate ones for write-off. Responsible Chief: Chief of Customer Services Target Resolution Date: April 2008 (overpayment correction); February 2009 (clean-up project); February 2008 (QA; IT related) Current Resolution Status: In-process</p>

Medical Bill Payment Process Audit – March 2008

	Recommendation	Disposition
1	<p>Evaluate a change to the current Ohio Administrative Code to shorten the statute of limitations for medical bill payments to model other state workers' compensation systems. Significance Rating: Significant Weakness</p>	<p>Management will investigate shortening the statute of limitations for medical bill payments in conjunction with the strategic objective for benefit plan design and coverage. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
2	<p>Complete a review to determine the feasibility of eliminating levels of appeals in the Alternative Dispute Resolution process. Significance Rating: Significant Weakness</p>	<p>A SMART objective workgroup is researching this option and developing a recommendation for the Chief of Medical Services approval. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
3	<p>Finalize and approve the draft overpayment policy and make the final determination on the outstanding MCO and provider overpayments. Significance Rating: Significant Weakness</p>	<p>A draft overpayment policy is currently being reviewed by the Division Chief. Once the policy is approved, training and reference guides will need to be developed. This process will require approximately 60 days. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: October 2008 February 2009 Current Resolution Status: In-process</p>
4	<p>Monitor and track the certification application process to verify all providers are routinely reapplying for certification and providing the Bureau with credentialing information. Significance Rating: Significant Weakness</p>	<p>Medical Services Division requested an interpretation of the Ohio Elections Law and its impact on the provider enrollment and certification processes and will comply with the Ohio Elections Commission opinion. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
5	<p>Implement a comprehensive bill tracking and reporting process to include MCO timelines to monitor compliance with BWC policies; and consider reimbursing providers directly from BWC. Significance Rating: Significant Weakness</p>	<p>CPM is conducting the on-site bill payment process review of MCOs. Direct reimbursement to providers by BWC is being evaluated in a SMART objective workgroup. The 1st meeting of the workgroup was held during September 2008. Responsible Chief: Chief of Medical Services and Compliance Target Resolution Date: December 2008</p>

	Recommendation	Disposition
		Current Resolution Status: In-process

Subrogation Audit – May 2008

	Recommendation	Disposition
1	Collaborate with all units involved to document an agency-wide workflow of the subrogation process. Significance Rating: Material Weakness	The Subrogation Unit will work with the applicable business units to document an agency-wide subrogation process. Responsible Chief: Chief Legal Officer Target Resolution Date: December 2008 Current Resolution Status: In-process
2	Reconcile the monies received for accuracy and completeness, and verify the accuracy of the outstanding balance. Significance Rating: Material Weakness	The Subrogation Unit’s management will collaborate with all units involved to define responsibilities, develop, and implement a reconciliation process. Responsible Chief: Chief Legal Officer Target Resolution Date: September 2008 Current Resolution Status: In-process
3	Consider assigning unit responsibilities based on job skills and dollar thresholds, prioritize cases and evaluate if a portion of the caseload can be outsourced to external parties, and develop monitoring and quality assurance reviews to ensure timely and efficient processing. Significance Rating: Significant Weakness	Management will re-evaluate staffing needs and recommend the appropriate changes. Responsible Chief: Chief Legal Officer Target Resolution Date: November 2008 Current Resolution Status: In-process
4	Define responsibilities, provide additional training, improve communication between the two departments, and utilize the Service Offices’ subrogation coordinators to research incomplete referrals. Significance Rating: Significant Weakness	Medical Claims and Subrogation Unit worked with IT on developing a Data Warehouse report for Medical Claims Team Leaders to use to audit potential subrogation claims. This report is based off an old existing Subrogation Unit Data Warehouse report. Medical Claims Supervisors are scheduled to begin using the report for QA audits beginning in September 2008. Responsible Chief: Chief of Customer Services Target Resolution Date: September 2008 Current Resolution Status: In-process

	Recommendation	Disposition
5	<p>Establish proactive controls and monitoring processes to ensure eligible class members receive repayment notices within the court decreed timelines.</p> <p>Significance Rating: Significant Weakness</p>	<p>Subrogation met with IT to develop a report to notify subrogation of address changes for Santos claims. The report was created but minor enhancements are needed before this report can be relied upon for address updates.</p> <p>Responsible Chief: Chief Legal Officer Target Resolution Date: August 2008 December 2008 Current Resolution Status: In-process</p>
6	<p>Develop ongoing reporting and conduct detailed trending and analysis of data to assist in monitoring the subrogation processes.</p> <p>Significance Rating: Significant Weakness</p>	<p>A staff member will be assigned to manage the Attorney General Office's portfolio and the Unit will meet with IT to request enhancements to the current system.</p> <p>Responsible Chief: Chief Legal Officer Target Resolution Date: September 2008 (Meet with IT); December 2009 (potential target date for IT) Current Resolution Status: In-process</p>
7	<p>Consider collaborating with IT to explore potential system enhancements to better support the subrogation process.</p> <p>Significance Rating: Significant Weakness</p>	<p>The Subrogation Unit will work with IT to develop a system that is integrated with other BWC systems.</p> <p>Responsible Chief: Chief Legal Officer Target Resolution Date: September 2008 (Meet with IT); December 2009 (potential target date for IT) Current Resolution Status: In-process</p>

Forthwith/Miscellaneous Special Payments Audit – July 2008

	Recommendation	Disposition
1	<p>Modify the Rates & Payments system to include basic information on all warrants initiated within it.</p> <p>Significance Rating: Significant Weakness</p>	<p>Phase 1 of the Electronic Funds Transfer Mandate program is to be implemented in November 2008.</p> <p>Responsible Chief: Chief Information Officer Target Resolution Date: November 2008 Current Resolution Status: In-process</p>

Managed Care Organization Audit # 4 – July 2008

	Recommendation	Disposition
1	<p>Modify the MCO system backup procedures to ensure that backup devices are encrypted. Significance Rating: Significant Weakness</p>	<p>MCO management is in the process of revising backup procedures to include encryption of backup devices. Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
2	<p>Revise procedures to ensure that the mailroom date stamps all mail (including bills) upon receipt. Posted procedures should match the MCO’s policy and procedure manual. Significance Rating: Significant Weakness</p>	<p>MCO management has updated the policies and procedures to ensure posted procedures match the policies and procedures manual. This change includes a requirement that bills received at the MCO location are date stamped prior to forwarding to their vendor location. MCO management disagrees with the recommendation to date stamp items immediately upon receipt and feels that the revised procedures ensure accurate receipt information and compliance with the contract. Target Resolution Date: May 2008 (policy updates) Current Resolution Status: Partially Implemented</p>
3	<p>Work with BWC adjustment personnel to attempt to resolve provider account reconciling items in a timely manner. Significance Rating: Significant Weakness</p>	<p>Schedules are in place to resolve all outstanding reconciling items by the end of the year. MCO management will work with BWC’s CPM to coordinate items requiring deposits to the account or reserve reductions. Target Resolution Date: December 2008 Current Resolution Status: In-process</p>
4	<p>Work with the MCO vendor to ensure the MCO’s mail is date stamped with the MCO’s stamp immediately upon receipt. Significance Rating: Significant Weakness</p>	<p>MCO management is working with the vendor to modify the date stamp to include the MCO’s name and MCO number. MCO management disagrees with the recommendation to require the vendor to date stamp items immediately upon receipt and feels existing processes ensure accurate receipt information. Target Resolution Date: August 2008 December 2008 (Establishment of date for new vendor stamp) Current Resolution Status: In-process</p>

Note: Comments designated as “Implemented” are based on managements’ assertions and have not yet been validated by Internal Audit.

BWC Internal Audit Division Audit Report Follow-up Procedures

The *International Standards for the Professional Practice of Internal Auditing* specifically addresses follow-up in Standard 2500. One of our primary responsibilities as professional auditors is determining that the audit customer takes corrective action on recommendations. This applies in all cases except where “senior management has accepted the risk of not taking action.” When senior management accepts the risk of not taking action the comment will be forwarded to the Administrator for review, the Chief of Internal Audit will report the comment with management’s response to the Audit Committee for consideration.

Being an integral part of the internal audit process, follow-up should be scheduled along with the other steps necessary to perform the audit. However, specific follow-up activity depends on the results of the audit and can be carried out at the time the report draft is reviewed with management personnel or after the issuance of the report. Typically, audit follow up should occur within 90 days of the issuance of the final report.

Follow-up activities may generally be broken down into three areas:

- Casual - This is the most basic form of follow-up and may be satisfied by review of the audit customer’s procedures or an informal phone call. Memo correspondence may also be used. This is usually applicable to the less critical findings.
- Limited - Limited follow-up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and, in most cases, is not accomplished through memos or phone calls with the audit customer.
- Detailed - Detailed follow-up is usually more time-consuming and can include substantial audit customer involvement. Verifying procedures and audit trails, as well as substantiating account balances and computerized records, are examples. The more critical audit findings usually require detailed follow-up.

Follow-up scheduling can begin when corrective action is confirmed by acceptance of an audit recommendation or when management elects to accept the risk of not implementing the recommendation. Based on the risk and exposure involved, as well as the degree of difficulty in achieving the recommended action, follow-up activity should be scheduled to monitor the situation or confirm completion of the changes that were planned. These same factors establish whether a simple phone call would suffice or whether further audit procedures would be required.

At the end of each quarter, a summary follow-up report is prepared. This report reflects all current period findings with appropriate comments to reflect end-of-quarter status.

Additionally, this report highlights all outstanding findings from prior periods and their status. The intent of this summary report is to track all findings so that they are appropriately resolved.

**BWC Internal Audit Division
Audit Comment Rating Criteria**

Comment Rating	Description of Factors	Reporting Level
Material Weakness	<ul style="list-style-type: none"> • Overall control environment does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records, and compliance with Bureau policies and/or laws and regulations. A significant business risk or exposure to the Bureau that requires immediate attention and remediation efforts. • A significant deficiency, or combination of significant deficiencies, that results in <u>more than a remote likelihood</u> that a material misstatement of the annual or interim financial statements will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved. 	Audit Committee, Senior Management, Department Management
Significant Weakness	<ul style="list-style-type: none"> • Issue represents a control weakness, which could have or is having some adverse affect on the ability to achieve process objectives. The controls in place need improvement and if not improved could lead to an overall unsatisfactory or unacceptable state of control. Requires near-term management attention. • A control deficiency, or combination of control deficiencies, that results in a <u>remote likelihood</u> that a misstatement of the Bureau’s annual or interim financial statements is more than inconsequential will not be prevented or detected by employees in the normal course of their work, or that a major operational or compliance objective would not be achieved. 	Senior Management, Department Management, Audit Committee (optional)
Minor Weakness	<ul style="list-style-type: none"> • Issue represents a process improvement opportunity or a minor control weakness with minimal impact. Observations with this rating should be addressed by line level management. • A control deficiency that would result in <u>less than a remote likelihood</u> that the deficiency could reasonably result in a material misstatement of the financial statements or materially affect the ability to achieve key operational or compliance objectives. 	Department Management, Senior Management (optional)

NOTE: When management’s action plans for Significant Weakness comments are materially delayed from the intended implementation date the comment will elevate to a Material Weakness (pending circumstances).

**Internal Audit Division
FY 09 Annual Audit Plan**

Focus Area	1st Qtr.			2nd Qtr.			3rd Qtr.			4th Qtr.			Audit Effort
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
Employer Compliance (Consulting)													1
Coal Mine Safety Program (Consulting)													2
Permanent Partial Benefits													4
Settlements Process													5
External Audit Assistance													5
Mainframe Security													5
Physical and Environmental Security													3
Employer Policy Application Process													4
Auto Adjudication													4
Self Insured Bankrupt Securitization Process													4
Investment Certification Control Testing													5
Fleet Management													3
Device and Media Controls Audit													3
Accounts Payable													3
Ethics Review													1
Adjudicating Committee													4
Human Resources													4
Change Management Process													5
Safety and Hygiene													5
Purchasing													3
Coal Mine Safety Program													2
Employer Compliance and Premium Audit													5
FY 2010 Audit Plan													3
Audit Validation Testing													5
MCO Audits													5

Audit Effort Explanations

Number	Level of Audit Effort	Hours
1	Extra Small	< 100 hours
2	Small	100 – 300 hours
3	Medium	301 – 500 hours
4	Large	501 – 800 hours
5	Extra Large	801 – 1200 hours



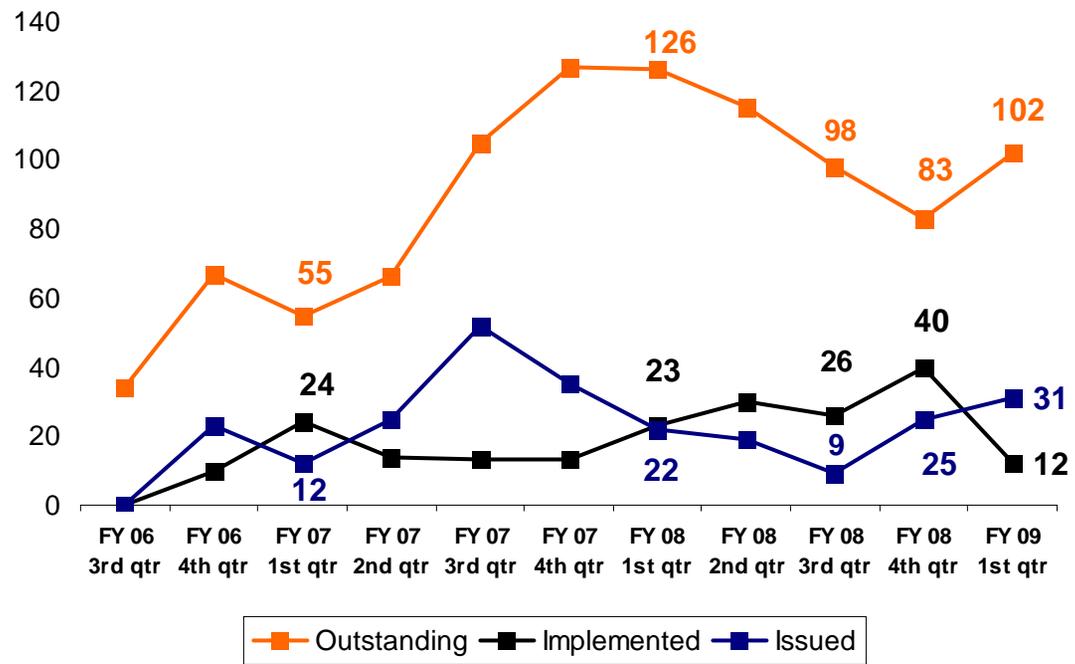
BWC Internal Audit Division

	FY08 2nd Qtr	FY08 3rd Qtr	FY08 4th Qtr	FY09 1st Qtr
Prior Total: Comments Outstanding	126	115	98	83
Plus: New Comments Issued	+19	+9	+25	+31
Minus: Comments Validated	-30	-26	-40	-12
New Total: Comments Outstanding	115	98	83	102
Not Rated	6	4	3	2
Material Weakness	27	24	20	22
Significant Weakness	82	70	60	78
New Total: Comments Outstanding	115	98	83	102



BWC Internal Audit Division

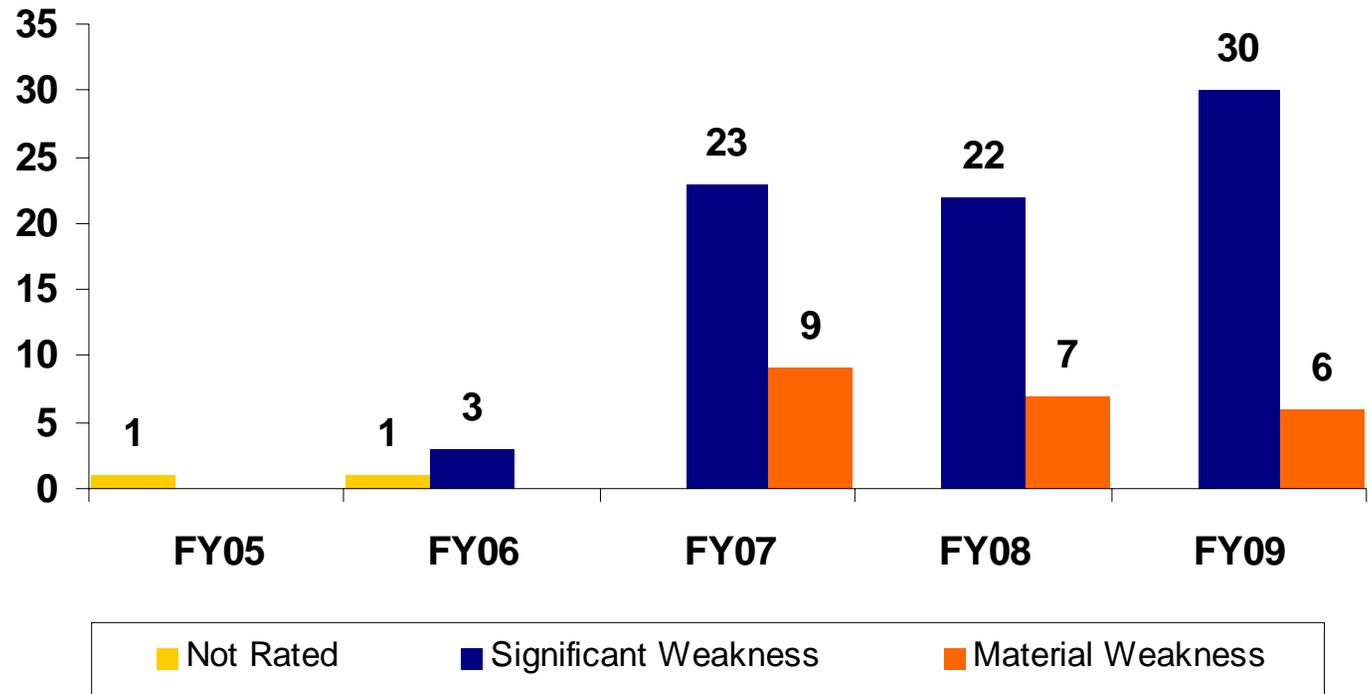
Comments outstanding decreased 19% in the last year





BWC Internal Audit Division

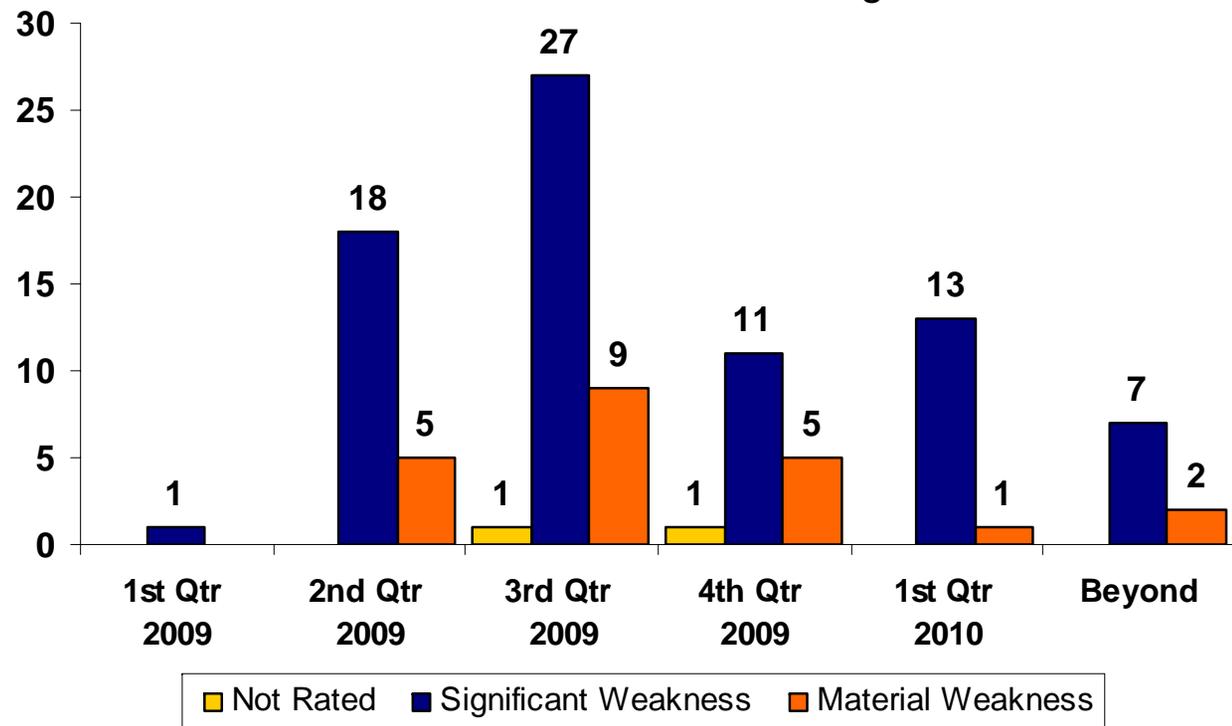
Outstanding Comments by Date Issued





BWC Internal Audit Division

Validation schedule for remaining comments



Note: Excludes one not implemented comment.

OBWC Board of Directors Audit Committee Charter

Purpose

The Audit Committee has been established to assist the Board of Directors of the Ohio Bureau of Workers' Compensation in fulfilling its fiduciary oversight responsibilities through:

- providing oversight of the integrity of financial reporting process;
- ensuring compliance with legal and regulatory requirements;
- monitoring the design and effectiveness of the system of internal control;
- confirming external auditor's qualifications and independence; and
- reviewing performance of the internal audit function and independent auditors.

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the appointed certified public accountant member of the board. The Board, by majority vote, shall appoint four additional members to serve on the Audit Committee and may appoint additional members, who may or may not be Board members, as the Board determines necessary. Members of the Audit Committee serve at the pleasure of the board and the board, by majority vote, may remove any member except the member of the committee who is the certified public accountant member of the board.

Each committee member will be independent from management. The Chair and Vice Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair if not a member is an ex-officio member, shall not vote if his/her vote will create a tie vote when serving as ex-officio.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

Meetings

The Audit Committee shall meet at least nine (9) times annually, or as frequently as needed and will provide activity reports to the Board of Directors. The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. A quorum shall consist of a majority of the Committee members. Committee meetings will be conducted according to Robert's Rules of Order. The Committee will have a staff liaison designated to help it carry out its duties.

Duties and responsibilities

The Audit Committee shall have responsibility for the following:

1. Oversight of the integrity of the financial information reporting process:
 - a. Review with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
 - b. Review with management and the external auditor the results of the audit.
2. Review all internal audit reports on regular basis.
3. Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. Monitor implementation of any action plans created to correct problems noted in annual audit.
4. Serve as the primary liaison for Bureau of Workers' Compensation Board of Directors and providing a forum for handling all matters related to audits, examinations, investigations or inquiries of the Auditor of State and other appropriate State or Federal agencies
5. Develop an oversight process to assess the adequacy and effectiveness of internal controls and provide the mechanisms for periodic assessment of system of internal controls on an ongoing basis.
6. Oversee the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditor.
7. Consult on the appointment and/or removal of the Chief of Internal Audit and have oversight on the work of the Internal Audit Division.
8. Ensure the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by the external auditor.
9. Review the internal financial statements upon the request of a committee member or BWC staff.
10. Review management's biennial appropriation requests and recommend approval to the Board.
11. Receive and review reports from management regarding the status of appropriations bills.
12. Review and recommend to the Board the proposed annual fiscal year Administrative Cost budget prepared by management. Also, advise the Board of any adjustments made to the proposed budget.
13. At least once every 10 years, have an independent auditor conduct a fiduciary performance audit of BWC's investment program, policies and procedures. Provide a copy of audit to the Auditor of State. (ORC 4121.125(D), effective 2007)
14. After every meeting, report to the Board of Directors of the Bureau of Workers' Compensation on all activities, findings and recommendations of the Committee.
15. Establish policies and procedures to function effectively.
16. Recommend to the Board an accounting firm to perform the annual audit required under R.C. 4123.47. Recommend an auditing firm for the Board to use when conducting audits under R.C. 4121.125.
17. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.

18. Seek any information it requires from employees—all of whom are directed to cooperate with the Committee's requests, or the requests of internal or external parties working for the Committee. These parties include, but are not limited to internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
19. Coordinate with the other Board Committees on items of common interest, especially discussions and decisions concerning the net asset policy.
20. At least annually, this charter must be reviewed by the Audit Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.
21. At least annually, meet with General Counsel and Chief of Internal Audit to review BWC Code of Ethics to ensure that it is adequate and up-to-date. Report on review and recommended changes, if necessary, to the Board.
22. The Committee by majority vote may create a subcommittee consisting of one or more Directors on the Committee. In consultation with the chair, other board members may be appointed to the subcommittee as appropriate. The subcommittee shall have a specific purpose. Each subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Board of Directors through the Committee. The Committee by majority vote may dissolve the subcommittee at any time.

Audit Committee Charter.doc
Draft 092607
Review & Approved 112107, Ken Haffey, Chair
Revised 012408
Revised 012508
Revised 092408
Annual Review and Revision 112108

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Interstate Jurisdiction Rules

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: R.C. 4123.29, 4123.34

2. The rule achieves an Ohio specific public policy goal.

What goal(s): The rule amendments implement the legislative changes relating to interstate jurisdiction in Am. Sub. S.B. 334 of the 127th General Assembly, and the changes relating to jurisdiction for claims under the Longshore and Harbor Workers' Compensation Act as provided in Am. Sub. H.B. 562 of the 127th General Assembly.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: *Ohio Trucking Association, NFIB, *Chamber of Commerce, *Ohio Association for Justice, OMA, Ohio Retail Merchants, AFL-CIO, Ohio Association of General Contractors, Connie Nolder – private lobbyist for trial lawyers and Tom Pappas and Associates – private lobbyist.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.
If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

Executive Summary

Interstate Jurisdiction Rules

Background Law

Am. Sub. S.B. 334

On June 11, 2008, Governor Strickland signed into law Am. Sub. S.B. 334, effective September 11, 2008. The Act prohibits an employee from filing a claim for workers' compensation benefits in Ohio if the employee has received a decision on the merits of a claim filed in another state for the same injury or occupational disease. The Act allows an Ohio employer to obtain workers' compensation insurance for claims arising in other states through BWC, if the Administrator elects to provide such insurance, or through a private insurance company. The Act permits an employer to segregate payroll between Ohio and the other states to avoid duplicate premium payments, and makes other changes to the Workers' Compensation Law regarding interstate workers' compensation claims.

Am. Sub. H.B. 562

On June 24, 2008, Governor Strickland signed into law Am. Sub. H.B. 562, effective September 23, 2008. The Act is 907 pages, and contains a wide variety of provisions relating to state government. The Legislature amended into the bill provisions relating to the federal Longshore and Harbor Workers' Compensation Act (LHWCA). H.B. 562 prohibits individuals covered under the LHWCA from applying for and receiving benefits under Ohio's Workers' Compensation Law, and requires BWC to adopt rules on the premium calculations applicable to employers who employ employees covered under both the LHWCA and Ohio's Workers' Compensation Law. Like S.B. 334 for interstate jurisdiction, this Act permits employers to segregate payroll to avoid dual payment of premium.

The federal LHWCA provides compensation for injuries to workers engaged in maritime employment that are incurred upon the navigable waters of the United States. The Secretary of the U.S. Department of Labor administers the LHWCA. An employee may receive compensation in respect to the employee's disability or death only if the disability or death results from an injury occurring upon the navigable waters of the United States. An Ohio employer may obtain LHWCA coverage either through a private insurance company or through BWC's Marine Industry Fund.

Under the Act, if an employee who is covered under the LHWCA is injured and if that claim is subject to the jurisdiction of the LHWCA, the employee is not entitled to apply for and must not receive compensation or benefits under Ohio's Workers' Compensation Law. The Act states that the rights of the employee under the LHWCA are the exclusive remedy against the employer for that injury after the effective date of the Act.

The Act requires BWC to adopt a rule providing that an employer who employs an employee covered under the LHWCA and Ohio's Workers' Compensation Law must be

assessed a premium in accordance with the expenditure of payroll attributable to only labor performed by such employee when the employee performs labor for which the employee is not eligible to receive compensation and benefits under the LHWCA.

Rule Changes

BWC has proposed amendments to three rate rules to implement the provisions of S.B. 334 and H.B. 562. Two of the rules (4123-17-23 and 4123-17-17) are exempt from public hearing and J.C.A.R.R.; one rule (4123-17-14) will require J.C.A.R.R. review.

4123-17-23 Duties outside the state

In Paragraph (A), BWC has amended the provision that an employer must report its entire payroll to BWC to provide that “if the employer elects to obtain other-states’ coverage under Section 4123.292 of the Revised Code, the employer shall include in the payroll report only the remuneration for work the employees perform in Ohio and other work not covered by the other-states’ policy.”

Paragraph (C) contains the requirement from S.B. 334 that BWC will not permit an out of state employer working in Ohio a temporary exemption from Ohio coverage “if the laws of the state of coverage do not provide this same exemption to Ohio employers and their employees working temporarily in that state.” In such cases, “the employer must obtain Ohio coverage and report to the bureau the remuneration of its employees for work performed in Ohio.”

New Paragraph (D) reinforces current law, that “employees hired to work specifically in Ohio must be reported for workers’ compensation insurance under the Ohio fund, regardless of where the contracts of hire were entered.”

4123-17-14 Rule controlling the completing of payroll reports

Paragraph (A) is amended to provide that on the semi-annual payroll report, the employer shall include only payroll for Ohio work if the employer elected to obtain other-states’ coverage under Section 4123.292 of the Revised Code. Also if the employer has employees covered under the federal LHWCA, the employer shall include on the payroll report only the remuneration for work the employees performed in Ohio for which the employees are eligible to receive Ohio workers’ compensation benefits.

New Paragraph (E) states that the employer shall notify and provide BWC a policy of its out of state coverage. On the BWC payroll report, the employer shall not include remuneration for work performed outside of Ohio and covered by the other-state’s policy, but shall submit that information to BWC on a separate form provided by BWC.

New Paragraph (F) states that if the employer employs an employee covered under the federal LHWCA and the Ohio workers’ compensation act, the employer shall, in writing, notify BWC of LHWCA insurer. On the payroll report the employer submits to BWC,

the employer shall include remuneration for work performed covered under the federal LHWCA, regardless of whether the employer has obtained such coverage from BWC or private insurance. This report is for informational purposes only, and BWC will not assign a premium rate to such payroll.

4123-17-17 Auditing and adjustment of payroll reports

Paragraph (A) of this rule requires employers to maintain records of Ohio payroll for five years. The amendment extends the requirement to records of all payroll reported to the other-states' insurer for work performed outside of Ohio.

Proposed Rules to SB 334

4123-17-23 Duties outside the state

(A) The entire remuneration of employees, whose contracts of hire have been consummated within the borders of Ohio, whose employment involves activities both within and without the borders of Ohio, and where the supervising office of the employer is located in Ohio, shall be included in the payroll report. However, if the employer elects to obtain other-states' coverage under Section 4123.292 of the Revised Code, the employer shall include in the payroll report only the remuneration for work the employees perform in Ohio and other work not covered by the other-states' policy.

(B) The remuneration of employees of other than Ohio employers, who have entered into a contract of employment outside of Ohio to perform transitory services in interstate commerce only, both within and outside of the boundaries of Ohio, shall not be included in the payroll report.

(C) The bureau of workers' compensation respects the ~~extra-territorial~~ extraterritorial right of the workers' compensation insurance coverage of an out-of-state employer for ~~his~~ its regular employees, ~~whose contracts of hire have been consummated in some~~ who are residents of a state other than Ohio, ~~while performing work in the state of Ohio for a temporary period not to exceed ninety (90) days.~~ However, if the laws of the state of coverage do not provide this same exemption to Ohio employers and their employees working temporarily in that state, the employer must obtain Ohio coverage and report to the bureau the remuneration of its employees for work performed in Ohio. Employees whose contracts of hire are consummated at a job site in Ohio or employees who have been hired to work specifically in Ohio must be protected for workers' compensation insurance under the Ohio fund.

(D) Employees hired to work specifically in Ohio must be reported for workers' compensation insurance under the Ohio fund, regardless of where the contracts of hire were entered.

~~(D)~~ (E) Where there is possibility of conflict with respect to the application of the workers' compensation law because the contract of employment is entered into and all or some portion of the work is or is to be performed in different states, the employer and his employees may mutually agree to be bound by the workers' compensation laws of the State of Ohio by executing Form C-110, or mutually agree to be bound by the workers' compensation law of some other state by executing Form C-112, such forms to be obtained from and filed with the bureau of workers' compensation within ten days after execution.

4123-17-14 Rule controlling the completing of payroll reports

(A) In July and January of each year, the bureau will furnish private state fund employers with proper forms showing premium rates on which to report the actual wage expenditure and/or payroll in the conduct of the employer's operations for the preceding six months' period or portion thereof. However, if the employer elected to obtain other-states' coverage under Section 4123.292 of the

Revised Code, the employer shall include on the payroll report only the remuneration for work the employees performed in Ohio and other work not covered by the other-states' policy. If the employer employs employees who are covered under the federal "Longshore and Harbor Workers' Compensation Act," 98 Stat. 1639, 33 U.S.C. 901 et seq., the employer shall include on the payroll report only the remuneration for work the employees performed in Ohio for which the employees are eligible to receive compensation and benefits under Chapter 4121. and 4123. of the Revised Code. The employer shall complete such report with the premium calculated, and the report and remittance of the premium shall be submitted to the bureau no later than August 31 or the last day of February for that report's preceding six-month period. For an employer that elected to obtain other-states' coverage, the remuneration for work performed in states other than Ohio and covered by the other-states' policy shall be reported to the bureau on a separate form in accordance with paragraph (E) of this rule. For an employer that employs employees who are covered under the federal "Longshore and Harbor Workers' Compensation Act," the remuneration for work performed for services for which the employees are eligible to receive compensation and benefits under the federal "Longshore and Harbor Workers' Compensation Act" shall be reported to the bureau on the payroll report in accordance with paragraph (F) of this rule.

(1) Except where the administrator has announced prior to the due date of the premium payment that an employer may pay the premium in installments, the amount of the premium due is to be paid in accordance with paragraph (A) of this rule or at the expiration of the coverage for early coverage terminations.

(2) The administrator may determine for any payroll period that employers shall be permitted to pay the premium in two installments and the method of those premium installment payments. An employer electing to participate in this option shall pay one-half of the premium due by the regular due date in accordance with paragraph (A) of this rule and the balance of the premium by the invoiced date following the original due date. An employer participating in this payment option shall be considered a complying employer during the installment payments if the employer pays one-half of the premium by the regular due date, and the balance shall not be subject to penalties or interest under rule 4123-19-07 of the Administrative Code.

(B) For all counties and public employer taxing districts, by January first of each year, the bureau will furnish the county auditor of each county and the chief fiscal officer of each public employer taxing district in each county with proper forms showing premium rates on which to report the actual wage expenditure or payroll expended in the conduct of the employer's operations for the preceding twelve calendar months. Such report shall be completed and the premium calculated on the report, and each such employer shall return the report and remit the amount of premium due to the bureau as follows:

(1) On or before May fifteenth of each year, no less than forty-five per cent of the premium due.

(2) On or before September first of each year, no less than the total premium due.

(C) The terms "payroll" and "wage expenditures" as used in the rules of this chapter of the Administrative Code shall include the entire remuneration allowed by an employer to employees in the employer's service for the applicable period. "Remuneration" shall have the same meaning as

defined in division (H) of section 4141.01 of the Revised Code as provided by the statutes of the Ohio bureau of employment services, in order that the payroll reporting requirements of the bureau of workers' compensation shall be coordinated with the remuneration reporting requirements of the Ohio bureau of employment services, except as otherwise modified by the rules of this chapter. The definition of remuneration shall apply to all amenable employers who are required or elect to obtain Ohio workers' compensation coverage and who pay premiums based upon payroll under Chapter 4123. of the Revised Code, and shall apply to all persons of such employers considered to be employees under the statutes or rules of the bureau of workers' compensation, regardless of whether the employer is required to report payroll or remuneration to the Ohio bureau of employment services under Chapter 4141. of the Revised Code or whether the employer reports payroll or remuneration to the Ohio bureau of employment services for such persons considered to be employees by the bureau of workers' compensation.

(D) In determining the reportable payroll or remuneration after July 1, 1995, for employees who customarily receive tips or gratuities, the employer shall report all actual wages paid and shall include all tips to the extent they are used to supplement the federal minimum wage requirements reportable as remuneration as defined in paragraph (C) of this rule.

(E) If an employer elects under Section 4123.292 of the Revised Code to obtain other-states' coverage from an other-states' insurer, the employer shall, in writing, notify the bureau of the election and the identity of the insurer providing the coverage. The employer shall also provide the bureau with a copy of the other-states' policy. On the payroll report the employer submits to the bureau in accordance with paragraph (A) of this rule, the employer shall not include remuneration for work performed outside of Ohio and covered by the other-state's policy. On a separate form to be submitted to the bureau with the payroll report described in paragraph (A), the employer shall report the amount of remuneration paid to its employees for work performed outside of Ohio and covered by the other-states' policy. The bureau shall make forms available to employers for fulfilling the notification and reporting requirements of this paragraph.

(F) If an employer employs an employee covered under the federal "Longshore and Harbor Workers' Compensation Act" and Chapter 4121. and Chapter 4123. of the Revised Code, the employer shall, in writing, notify the bureau of the identity of the insurer providing the federal "Longshore and Harbor Workers' Compensation Act" coverage. On the payroll report the employer submits to the bureau in accordance with paragraph (A) of this rule, the employer shall include remuneration for work performed covered under the federal "Longshore and Harbor Workers' Compensation Act," regardless of whether the employer has obtained such coverage from the bureau or from private insurance. This report is for informational purposes only, and the bureau will not assign a premium rate to such payroll.

4123-17-17 Auditing and adjustment of payroll reports

(A) Every employer amenable to the workers' compensation law shall keep, preserve and maintain complete records showing in detail all expenditures for payroll reportable to Ohio and the division of such expenditures in the various divisions and classifications of the employer's business. If an employer elects under Section 4123.292 of the Revised Code to obtain other-states' coverage, the

employer shall also keep records of all payroll reported to the other-states' insurer for work performed outside of Ohio. ~~Such~~ Both types of payroll records shall be preserved for at least five years after the respective time of the transaction upon which such records are based.

(B) All books, records, papers, and documents reflecting upon the amount and the classifications of the payroll expenditures of an employer shall be kept available for inspection at any time by the bureau of workers' compensation or any of its assistants, agents, representatives or employees. If any private fund, county, or public employer taxing district employer fails to keep, preserve and maintain such records and other information reflecting upon payroll expenditures, or fails to make such records and information available for inspection, or fails to furnish the bureau or any of its assistants, agents, representatives or employees, full and complete information in reference to expenditures for payroll when such information is requested, the bureau may determine upon such information as is available to it the amount of premium due from the employer and its findings shall constitute prima facie evidence of the amount of premium due from the employer.

(C) The bureau shall have the right at all times by its members, deputies, referees, traveling auditors, inspectors or assistants to inspect, examine or audit any or all books, records, papers, documents and payroll of private fund, county, or public employer taxing district employers for the purpose of verifying the correctness of reports made by employers of wage expenditures as required by law and rule 4123-17-14 of the Administrative Code. The bureau shall also have the right to make adjustments as to classifications, allocation of wage expenditures to classifications, amount of wage expenditures, premium rates or amount of premium. No adjustments, however, shall be made in an employer's account which result in reducing any amount of premium below the amount of contributions made by the employer to the fund for the periods involved, except in reference to adjustments for the semiannual or adjustment periods ending within twenty-four months immediately prior to the beginning of the current payroll reporting period. Except as provided in rule 4123-17-28 of the Administrative Code, no adjustments shall be made in an employer's account which result in increasing any amount of premium above the amount of contributions made by the employer to the fund for the periods involved, except in reference to adjustments for the semi-annual or adjustment periods ending within twenty-four months immediately prior to the beginning of the current payroll reporting period. The twenty-four month period shall be determined by the date when such errors affecting the reports and the premium are brought to the attention of the bureau by an employer through written application for adjustment or from the date that the bureau provides written notice to the employer of the bureau's intent to inspect, examine, or audit the employer's records.

(D) Experience will not be recalculated unless there is an adjustment of an employer's account due to a reclassification of operations. In such event the experience will be recalculated for the same period as the adjustment of the employer's account.

(E) Where the bureau has assigned two or more classifications for an employer's operations, the employer shall keep an appropriate record showing a correct and verifiable segregation of all payroll into such classifications. If it is found that the employer has failed to keep such record, the part of the payroll which cannot be reasonably determined by the bureau as belonging to any other classification shall be placed by the bureau under the assigned classification having the highest rate, and the employer will be assessed premium accordingly. To such payroll as is expended after

the employer has been notified of these requirements and which is not segregated as herein provided, the highest rate of the employer's assigned classifications shall be applied.

h:rules subjects/rates
SB 334 proposed rules w HB 56 rev1.doc
October 2, 2008

SB334

Interstate Jurisdiction

HB562

**Federal Longshore and
Harbor Workers' Act**

Rule Amendments

- **4123-17-23** Duties Outside the State
- **4123-17-14** Completing of Payroll Reports
- **4123-17-17** Auditing and Adjustment of Payroll Reports

Administrative Rules

4123-17-23 Duties outside the state

Before	After
Entire earnings reportable to Ohio for work in-state and out-of-state	Report only earnings not covered by policy in another state
Recognition of other states coverage for a period not to exceed 90 days	Coverage recognition matches what other states offer to Ohio

Administrative Rules

4123-17-14 Rule Controlling the Completing of Payroll Reports

Before	After
All payroll reportable to Ohio	Report payroll only for work in Ohio or not covered by policy in another state
No requirement to disclose other states' coverage or insurer	Must disclose coverage and insurer on separate form
No requirement to report other states' payroll to BWC	Must provide payroll reported to policy in another state

Administrative Rules

4123-17-17 Auditing & Adjustment of Payroll Records

Before	After
No requirement to retain records of payroll reported to policy in another state	Must keep all records of payroll reported to other states insurer for work outside Ohio

BWC 2009 Proposed Ambulatory Surgical Center Fees

Medical Service Enhancements

For those injured on the job, prompt, effective medical care is often the key to a quicker recovery and timely return-to-work and quality of life. The maintenance of a network of quality providers, which include medical facilities such as ambulatory surgical centers, is an important element to ensure the best possible recoveries from workplace injury. Such also ensures access to quality, cost-effective service. Access for injured workers, and employers, means the availability of quality, cost-effective treatment provided on the basis of medical necessity.

The Medical Services Division has focused on improving its core medical services functions. Our goals are as follows: enhance our medical provider network, establish a better benefits plan, institute an updated and competitive provider fee schedule, improve our managed care processes, and establish excellent medical bill payment services.

Ambulatory Surgical Center Fee Schedule

As stated, implementing a sound and effective provider fee schedule is a critical component of the Medical Services Division's goals. Ambulatory Surgical Centers (ASCs) billing represents a small number of bills BWC processes annually. However, this provider segment is a critical component of BWC's provider network. ASCs provide services in connection with surgical procedures that do not require inpatient hospitalization. Services provided by ASCs are the same as those provided in a hospital outpatient setting, but with lower cost and generally increased ease of access. In financial terms, these bills represent less than one percent (.97%) of BWC's overall medical expenses. The total ASC expenditures in calendar year 2007 totaled \$7,490,719.

BWC Current Rates

Since June 1996, the BWC's ASC fee schedule has been based on Medicare's Ambulatory Surgical Center List (aka ASC Groups). Medicare's ASC Groups had been Medicare's prospective payment system from 1982 through 2007. The ASC Groups' payment scheme placed approved reimbursements into one of nine groups based on average cost. The reimbursement rate for each group was then based on the average overhead cost for the group. Cost data used for rate setting was last collected by Medicare in 1986. Federal legislation froze the Medicare ambulatory surgical center rates from 2002-2007.

BWC's ASC fees were last updated in 2005. The BWC 2005 rates were set at 121% of the then Medicare rate which, as stated above, was frozen in 2002. Since 2005, BWC performed only code maintenance for the fee schedule, which involved updating services eligible for the ambulatory surgical center based on added or deleted CPT¹ codes.

¹ *Current Procedural Terminology*, American Medical Association, 2008

BWC Proposed Changes

As stated in the previous section, the BWC's ASC fee schedule is based on what had been Medicare's Ambulatory Surgical Center List (aka ASC Groups). The Medicare Modernization Act of 2003 mandated that Medicare implement a new prospective payment system for the ambulatory surgical center setting by January 2008. Therefore, January 1, 2008 Medicare implemented the new Ambulatory Payment Classifications (APC) for the ambulatory surgical center setting.

One key change in Medicare's new APC was the replacement of the nine group classification reimbursement scheme. Payment rates for ASC services are now based on the hospital outpatient department rates. The new approach assigns reimbursement rates to covered services, but reduces those rates by a certain percent to reflect the lower relative costs of ASCs. The percent at which the APC rates are reduced is based on the Government Accountability Office study². Medicare's underlying objective was to decrease the disparity of payments present between the ASC and hospital outpatient department setting. As Medicare aligned the ASC and hospital outpatient department rates, the reimbursement rates for certain service lines experienced large shifts. The table below shows the financial impact based on the 2008 rates provided in the Medicare 2008 final rule.

Impact by Specialty		
Specialty	2008 Rates	Fully Implemented Rates
Dermatology	7%	28%
Gastrointestinal	-5%	-19%
General Surgery	20%	79%
OB/GYN	21%	85%
Ophthalmology	0%	3%
<i>Orthopedics</i>	23%	92%
Otolaryngology	18%	72%
<i>Pain Management</i>	0%	-15%
Pulmonary	-1%	5%
Urology	10%	40%
Vascular	23%	89%

FASA Update, *A New Year and New Medicare Payment System for ASCs*, page 34, 2007.

Additionally, with the implementation of APCs there is an increase in the scope of services eligible for performance in the ambulatory surgical center setting. Over 700 procedures were added to the ASC list of approved procedures in 2008.

The significant change in the new process will create a significant payment impact for Medicare. Thus, in order to dampen the large reimbursement swings a four year transition period was put in place. Over the four year period, there will be a gradual change from the old rate to the new rate with a shifting percentage blend of the old and new rates in years 2008, 2009 and 2010. The full schedule is provided in the table below.

² *Payment for Ambulatory Surgical Centers Should Be Based on the Hospital Outpatient Payment System* (November 2006).

Type of Service	2008	2009	2010	2011
Surgical service on the 2007 ASC List	75% ASC List rate 25% APC rate	50% ASC List rate 50% APC rate	25% ASC List rate 75% APC rate	100% APC rate
Surgical service not on the 2007 ASC List	100% APC rate	100% APC rate	100% APC rate	100% APC rate
Office based procedure not on the 2007 ASC List	75% MPFS rate 25% APC rate	50% MPFS rate 50% APC rate	25% MPFS rate 75% APC rate	100% APC rate

Beginning January 2011, Medicare will have fully implemented APCs for the ambulatory surgical center setting.

BWCs current fee schedule continues to reflect Medicare's old ASC Group methodology. Of course, as Medicare moved to the new APC methodology in 2008, BWC is no longer in alignment with Medicare payment rates or scope of services. Historically, BWC reimbursement for ambulatory surgical centers has equaled 20% of billed charges. A reimbursement target of 20% of billed charges allowed BWC to reimburse above the Medicare rate and remain competitive in the healthcare payer market. When Medicare moved to the new methodology in 2008 the reimbursement rates for several specialties increased and thus, BWC's reimbursement rate then fell below Medicare's rate for many services.

Therefore, Medical Services is recommending that BWC move to Medicare's new Ambulatory Payment Classification methodology for 2009. Additionally, Medical Services is recommending that Medicare's 2009 transitional rate be adopted.

Medical Services is further recommending that BWC adopt the expanded scope of services provided under Medicare's new Ambulatory Surgical Center Prospective Payment System.

The service lines most utilized by BWC are orthopedics and pain management. Based on the impact by specialty figures provided by Medicare, the rates for orthopedic services will greatly increase while the rates for pain management will moderately decrease.

In addition to revising the ASC fee schedule, BWC is proposing several enhancements that will streamline the billing process for ASC facilities. By making modifications to allowed CPT codes, HCPCS Level II codes³, and appropriate modifiers, BWC's processes will be in alignment with standing billing protocols. Thus, ASC facilities will no longer be required to manually produce a BWC customized bill.

Projected Impacts and Outcomes

The goal of this update is to align BWC ASC fee schedule with Medicare's revised prospective payment system. This includes an update in payment rates as well as scope

³ *Healthcare Common Procedural Coding System*, Centers for Medicare and Medicaid Services, 2008

of services. This recommendation will result in an estimated increase payment of \$1.7 million dollars or 23% from the 2007 ASC reimbursements. Although this is a significant percent increase in reimbursement for this setting, it is necessary so that BWC can remain competitive in the payer market and continue to maintain access to care for our injured workers.

The recommendation would also result in expanding the scope of services that are currently reimbursed by BWC. This expansion of services will provide the physician greater flexibility in selecting the most appropriate surgical setting for the injured worker for an increased number of services. Additionally, it expands injured worker facility choices for surgical procedures. Lastly, since the ASC is a lower cost setting, BWC could potentially save money on outpatient surgical services.

As Medicare continues through the transition period for the revised ASC payment system, BWC will continue to propose modifications to the payment adjustment factor each year to ensure that our internal reimbursement targets are met.

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4123-6-37.3

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: O.R.C. 4121.441(A)(8); O.R.C. 4123.66

2. The rule achieves an Ohio specific public policy goal.

What goal(s): The rule adopts a discounted pricing fee schedule for workers' compensation ambulatory surgical services in accordance with O.R.C. 4121.441(A)(8) and *Ohio Hosp. Assn. v. Ohio Bur. of Workers' Comp.*, Franklin App. No. 06AP-471, 2007-Ohio-1499.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: Conducted meeting in BWC home office with representatives of Ohio Association of Ambulatory Surgery Center (OAASC), including a facility member where feedback and support of the recommendations were very positive and supportive. Members of the BWC staff have been also scheduled to participate in a teleconference with additional facility members of the OAASC as a follow-up to the initial meeting.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

BWC Board of Directors
Executive Summary
BWC Ambulatory Surgical Center
Fee Schedule Rule

Introduction

Chapter 4123-6 of the Administrative Code contains BWC rules implementing the Health Partnership Program (HPP) for state fund employers, including rules relating to the adoption of provider fee schedules and payment for medical services and supplies to injured workers. BWC initially enacted the bulk of the Chapter 4123-6 HPP medical service rules (Ohio Administrative Code 4123-6-20 to 4123-6-46) in February 1997.

Background Law

R.C. 4121.441(A)(8) provides that the Administrator, with the advice and consent of the BWC Board of Directors, shall adopt rules for implementation of the HPP to provide medical, surgical, nursing, drug, hospital, and rehabilitation services and supplies to injured workers, including but not limited to discounted pricing for medical services.

Prior to the 10th District Court of Appeals decision in *Ohio Hosp. Assn. v. Ohio Bur. of Workers' Comp.*, Franklin App. No. 06AP-471, 2007-Ohio-1499, BWC adopted provider fee schedules in the manner provided for in O.R.C. 4121.32(D), which grants BWC authority to “establish, adopt, and implement policy guidelines and bases for decisions involving reimbursement issues including, but not limited to . . . reimbursement fees . . . set forth in a reimbursement manual and provider bulletins.”

However, pursuant to the Court of Appeals' decision in the *OHA* case, BWC is now required to adopt changes to its provider fee schedules via the O.R.C. Chapter 119 rulemaking process.

Rule Changes

4123-6-37.3 Payment of ambulatory surgical center services.

BWC is proposing to adopt a new rule, OAC 4123-6-37.3, to specifically address reimbursement for ambulatory surgical center services.

Under the proposed rule, unless an MCO has negotiated a different payment rate with an ambulatory surgical center, reimbursement for ambulatory surgical center services with a date of service of April 1, 2009 or after shall be equal to the lesser of the ambulatory surgical center's allowable billed charges or the BWC fee schedule for such services.

The BWC fee schedule for ambulatory surgical services shall be an appendix to the rule. As the appendix indicates, fees for covered ambulatory surgical services shall be set at 100% of the 2009 Medicare transitional Ambulatory Surgical Center Prospective Payment System rates.

4123-6-37.3 Payment of ambulatory surgical center services.

Unless an MCO has negotiated a different payment rate with an ambulatory surgical center pursuant to rule 4123-6-08 of the Administrative Code, reimbursement for ambulatory surgical center services with a date of service of April 1, 2009 or after shall be equal to the lesser of the ambulatory surgical center's allowable billed charges or the fee schedule amount indicated in the attached appendix A, developed with provider and employer input and effective April 1, 2009.

Appendix A

BUREAU OF WORKERS' COMPENSATION

AMBULATORY SURGICAL CENTER FEE SCHEDULE

EFFECTIVE APRIL 1, 2009

Effective: 4/1/2009

R.C. 119.032 review dates: _____

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.30, 4121.31, 4123.05

Rule Amplifies: 4121.121, 4121.44, 4121.441, 4123.66

Prior Effective Dates:

Appendix A

Ohio Bureau of Workers' Compensation (BWC) 2009 Ambulatory Surgical Center Fee Schedule

The five character codes included in the Ohio Bureau of Workers' Compensation (BWC) 2009 Ambulatory Surgical Center Fee Schedule are obtained from Current Procedural Terminology (CPT®), copyright 2008 by the American Medical Association (AMA). CPT® is developed by the AMA as a listing of descriptive terms and five character identifying codes and modifiers for reporting medical services and procedures by physicians.

The responsibility for the content of the BWC 2009 Ambulatory Surgical Center Fee Schedule is with the State of Ohio Bureau of Workers' Compensation and no endorsement by the AMA is intended or should be implied. The AMA disclaims responsibility for any consequences or liability attributable or related to any use, nonuse or interpretation of information contained in the BWC 2009 Ambulatory Surgical Center Fee Schedule. No fee schedules, basic unit values, relative value guides, conversion factors or scales are included in any part of CPT. Any use of CPT outside of the BWC 2009 Ambulatory Surgical Center Fee Schedule should refer to the most current *Current Procedural Terminology* which contains the complete and most current listing of CPT codes and descriptive terms. Applicable FARS/DFARS apply.

For the purposes of this fee schedule, services and/or supplies must be medically necessary and appropriate for the treatment of the work related injury. The following definitions apply:

By Report The procedure, service, or supply is not typically covered and will not routinely be reimbursed. No fee is associated with the procedure, service or supply; therefore, a report is required to be obtained by the MCO for reimbursement consideration. Many of the –BR codes are unclassified/unspecified generic codes and are currently assigned a dollar amount of \$0.00. After review by the MCO, the report must be imaged into the BWC claim and a request must be submitted to BWC Medical Policy email box Medpol@bwc.state.oh.us for consideration for payment. Authorization and payment of codes identified as –BR require an individual analysis by the MCO prior to submission of the request for approval from BWC Medical Policy. The MCO analysis shall include researching the appropriateness of the code in relation to the service or procedure and cost comparisons in order to render high quality, cost-effective medical care. Research information from the MCO is required to be submitted to BWC Medical Policy with each request.

ASC Fee Reimbursement rate for the ASC facility for CPT® and HCPCS Level II codes. \$0.00 (without –BR indicator) indicates that reimbursement for the procedure, service or supply is bundled into the payment rate for the associated surgical procedure.

ASC Reimbursement Levels

The BWC 2009 Ambulatory Surgical Center Fee Schedule rates for covered services shall be set at 140% of the Medicare 2009 transitional Ambulatory Surgical Center Prospective Payment System rates published in Appendix AA and Appendix BB of the Department of Health and Human Services, Centers for Medicare and Medicaid Services' "Final Changes to the ASC Payment System and CY 2009 Payment Rates," 73 Fed. Reg. _____ (2008).

OHIO BWC 2009 Ambulatory Surgical Centers (ASCs) Fee Schedule Proposal

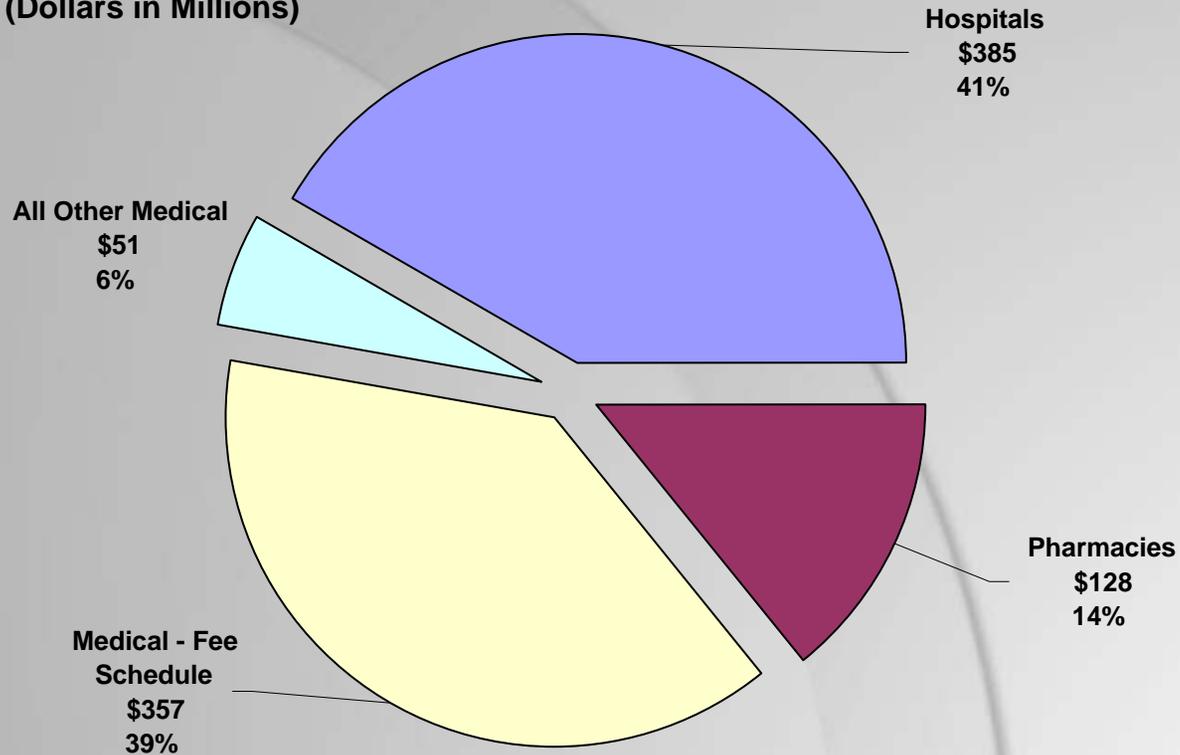
Medical Services Division
Freddie L Johnson, Director Managed Care Services
Anne Casto, President-Casto Consulting LLC.
November 20, 2008

Introduction and Guiding Principles

- Legal Requirement for Fee Schedule Rule
- Proposed Time-line for implementation
- Guiding Principle:
Ensure access to high-quality medical care by establishing an appropriate Benefit plan and Terms of service with competitive fee schedule which, in turn, enhances medical provider network

Financial Overview

TOTAL MEDICAL PAYMENTS = \$799
April 2007 to March 2008
(Dollars in Millions)



[ASC Locations](#)

All Other Medical include payments such as:

- Payments to Ambulatory Surgical Centers
- Payments (thru MIIS) for W-codes -- most notably file reviews and IMEs

Objectives Underlying Recommendations

- Implement a fee schedule which facilitates BWC's principle of ensuring **access to quality care** for Ohio's injured workers
- Appropriate re-alignment update of BWC's ASC fee methodology to Medicare's current methodology
- Appropriate revision of selected BWC's ASC billing processes to better reflect best practice billing standards

ASC Reimbursement Changes & Impacts

- Medicare Modernization Act of 2003
 - Resulted in the new Ambulatory Payment Classification (APC)
 - This new approach would reduce the disparity of payments between ASCs and hospital outpatient settings
- New APC Methodology
 - Eliminated use of the 9 categories of providers
 - Rates now based on the hospital outpatient department rates
 - Those rates are then reduced by a certain percent reflecting lower relative costs of ASCs
 - Increased scope of services by +700 new procedures
- Implementation of New APC Methodology
 - Medicare is using a 4 year transition approach
 - Began the transition in 2008

[Impacts by Specialty](#)

[Transitional chart](#)

Summary of ASC Recommendation Impacts

- Adopt Medicare's new ASC methodology and 2009 transitional rates
 - Projected reimbursement increase of \$1.7 million or 23% from 2007 reimbursements
- Expands the scope of services for which ASCs can receive reimbursements
 - Additional increase in ASC reimbursements
 - Positive decrease in overall outpatient services reimbursements
- Enhance service billing and practice efficiencies
 - Reduces ASCs expenses when providing services to BWC injured workers

OHIO BWC 2009 Ambulatory Surgical Centers (ASCs) Fee Schedule Proposal

Thank You

Appendix

ASC Current Reimbursement Approach

- Ambulatory Surgical Centers
 - Provider services connected with surgical procedures which do not require inpatient hospitalization
 - Same as those provided in hospital outpatient setting
 - Represented about .97% of bills in 2007
 - Dollars paid \$7.5 million
- Since 1996 fee schedule has been based on Medicare's ASC Groups
 - Consisted of 9 separate groups based on average overhead cost for the group
 - BWC last updated reimbursement rates in 2005
- Two key advantages
 - Increased ease of access
 - Lower costs

Summary of ASC Recommendation Impacts

- ASC Scope of Service Criteria
 - Procedures that could pose a significant safety risk to patients when performed in the ASC setting are excluded from the scope of service based on the following:
 - Generally result in extensive blood loss
 - Require major or prolonged invasion of body cavities
 - Directly involve major blood vessels
 - Are emergent or life-threatening in nature
 - Commonly require systemic thrombolytic therapy

ASC Selected Locations

- Wildwood Surgical Center — Toledo
- Riverside Outpatient Surgery Center - Columbus
- Crystal Clinic Surgery Center - Akron
- Surgery Center Cleveland - Cleveland

Summary of ASC Recommendation Impacts

Transition Schedule

Type of Service	2008	2009	2010	2011
Surgical service on the 2007 ASC List	75% ASC List rate 25% APC rate	50% ASC List rate 50% APC rate	25% ASC List rate 75% APC rate	100% APC rate
Surgical service not on the 2007 ASC List	100% APC rate	100% APC rate	100% APC rate	100% APC rate
Office based procedure not on the 2007 ASC List	75% MPFS rate 25% APC rate	50% MPFS rate 50% APC rate	25% MPFS rate 75% APC rate	100% APC rate

Summary of ASC Recommendation Impacts

Impact by Specialty

Impact by Specialty		
Specialty	2008 Rates	Fully Implemented Rates
Dermatology	7%	28%
Gastrointestinal	-5%	-19%
General Surgery	20%	79%
OB/GYN	21%	85%
Ophthalmology	0%	3%
Orthopedics	23%	92%
Otolaryngology	18%	72%
Pain Management	0%	-15%
Pulmonary	-1%	5%
Urology	10%	40%
Vascular	23%	89%

Summary of ASC Recommendation Impacts

Procedures Added to ASC Scope of Services 2008 Sample	
20103	Exploration of penetrating wound, extremity
20665	Removal of fixation device (tongs or halo)
21360	Treat cheek bone fracture
22523	Kyphoplasty
25431	Repair of nonunion of carpal bone
27726	Repair of nonunion; fibula

ASC 2009 Fee Schedule Recommendation

- Adopt Medicare new ASC rate schedule and methodology
 - Reimbursement Rates
 - Reimburse at the 2009 Medicare transitional amount for **BWC covered** services
 - Impact
 - 23% increase from BWC 2007 reimbursements
 - 21.43% of billed charges
- Adopt the Medicare approved scope of services for the ASC setting
 - Includes office-based and surgical procedures, separately payable ancillary services and supplies
- Adopt changes to selected billing protocols
 - Remove the limit on the number of procedures that can be reported for a single admission
 - Update Modifiers application and usage
 - Update BWC-specific code applications to use standard codes

12-Month Audit Committee Calendar

Date	November	Notes
11/20/08	1. External Audit update 2. Semi-annual meeting with IG 3. FY 09 Executive Summary 4. Charter Review 5. Interstate Jurisdiction 6. Ambulatory Surgery Center Fee Schedule 7. Litigation update, if needed 8. Internal Auditor <div style="text-align: right;">4:00 pm - 6:00 pm, Level 2 Room1</div>	
Date	December	
12/17/08	1. Annual Disaster recovery/Business Continuity Plan 2. Interstate Jurisdiction rules 3. 4123-6-05.1 Employer access to HPP 4. 4123-6-05.3 MCO prohibited solicitation 5. 4123-6-18 Data Gathering and reporting	
Date	January	
1/22/09	1. Quarterly litigation update (Executive Session) 2. External audit outstanding comments	
Date	February	
2/19/09	1. QES Review	
Date	March	
3/19/09	1. Inspector General Annual Report	
Date	April	
4/29/09	1. Discussion of external audit 2. Quarterly Litigation Update	
Date	May	
5/28/09	1. Internal Audit QES 2. FY10 Administrative Budget -(1st reading)	
Date	June	
6/18/09	1. FY2010 Audit Plan 2. FY10 Financial Projections - (1st reading) 3. FY10 Admin Budget (2nd reading)	
Date	July	
7/30/09	1. External audit update 2. FY10 Financial projections (2nd reading) 3. Quarterly Litigation Update	
Date	August	
8/27/09	1. QES Review	
Date	September	
9/24/09	1. External Audit Update 2. IG Semi-Annual Update	
Date	October	
10/29/09	1. Operation Review Report 2. Charter Review 3. Qtrly Litigation update 4. Semi-annual meeting with the IG	