

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
- reviewing performance of the internal audit function and independent auditors; and
- completing other duties and responsibilities as assigned by the Board.

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 member of the Board who is a certified public accountant. The Board, by majority vote, shall appoint at least four additional members of the Board to serve on the Audit Committee and may appoint additional members, who are not Board members, as the Board determines necessary. Bureau management personnel cannot serve as a committee member.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board Chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, he/she shall not vote if his/her vote will create a tie vote.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. In the absence of the Committee Chair, the Committee Vice-Chair will assume the Chair's responsibilities. The Committee will have a staff liaison designated to assist it in carrying out its duties.

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.

Meetings

The Committee shall meet at least nine (9) times annually. The Committee chair will provide a meeting report at the next subsequent Board meeting. The Board grants the Committee authority to have additional meetings. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information as necessary.

Minutes for all meetings of the Committee will be prepared to document all actions of the Committee in the discharge of its responsibilities.

Duties and responsibilities

1. The Audit Committee shall be responsible for the following statutory requirements:

- Recommend to the Board an accounting firm to perform the annual audit required under RC 4123.47. (RC 4121.129 (A)(1))
- Recommend an auditing firm for the Board to use when conducting audits under RC 4121.125. (RC 4121.129 (A)(2))
- Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. (RC 4121.129 (A)(3))
- Monitor implementation of any action plans created to correct problems noted in each annual audit. (RC 4121.129 (A)(4))
- Review management's biennial appropriation requests and recommend approval to the Board. (RC 4121.121 (B)(10).
- 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. (RC 4121.121 (B)(10).
- Review all internal audit reports on a regular basis. (RC 4121.129(A)(5))
- 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. (RC 4121.125(I)) Provide input to the Board when the Administrator seeks the advice and consent of the Board on the appointment and/or removal of the Chief of Internal Audit. (RC 4121.125 (J))

Comment [CRM1]: The receive a summary via the QES document...should I be sending the actual audit report to the Directors?

Request and review internal audits conducted by the internal auditor (RC 4121.125(J))

2. 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.
3. 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.
4. 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.
5. Oversee the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditor.
6. 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.
7. Review the internal financial statements upon the request of a committee member or BWC staff.
8. Receive and review reports from management regarding the status of appropriations bills.
9. 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.
10. 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.
11. 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.
12. Coordinate with the other Board Committees on items of common interest, especially discussions and decisions concerning the net asset policy and the annual review of guidelines for a funding ratio and a net leverage ratio.
13. At least annually, review the Audit Committee charter and submit any proposed changes to the Governance Committee and to the Board for approval.
14. 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

Comment [CRM2]: Isn't this similar to bullet #7?

Comment [CRM3]: Don: Do you know where this statement came from? International Professional Practices Framework 2110 states we need to assess and make appropriate recommendations for improving the governance process. One item includes promoting appropriate ethics and values within the organization. We performed an Ethics review this year but we don't plan to do this each year based on risk and resource limitations. Thoughts?

Comment [a4]: There's no specific authority for all this. However, the statement, "Recommend to the Board for approval an auditing firm to use when conducting audits under RC4121.125." Is supported by RC 4121.129 (A)(2).

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
Annual Review and Revision 112009

2009 Draft

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

Investment Accounting Discussion Outline October 29, 2009

Ohio Bureau of Workers' Compensation
Tracy Valentino, Chief Fiscal & Planning Officer

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *Understanding the key partners in the investment accounting process;*
- *Understanding the roles and responsibilities of each partner; and*
- *Understanding the controls in place to ensure accurate investment accounting.*

Key Partners

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *BWC Fiscal & Planning Division*
 - *BNY Mellon*
- *Outside Investment Managers*
(i.e., State Street, Barclays, etc.)
- *JP Morgan Chase*

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *BWC Fiscal & Planning Division-*

Ultimately responsible to ensure accurate financial reporting

– *BNY Mellon*

Master record keeper of investment accounting detail

BWC Book of Record

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *Outside Investment Managers*

Responsible for managing investment funds in a manner consistent with the IPS mandate

- *JP Morgan Chase*

Custodian of invested assets

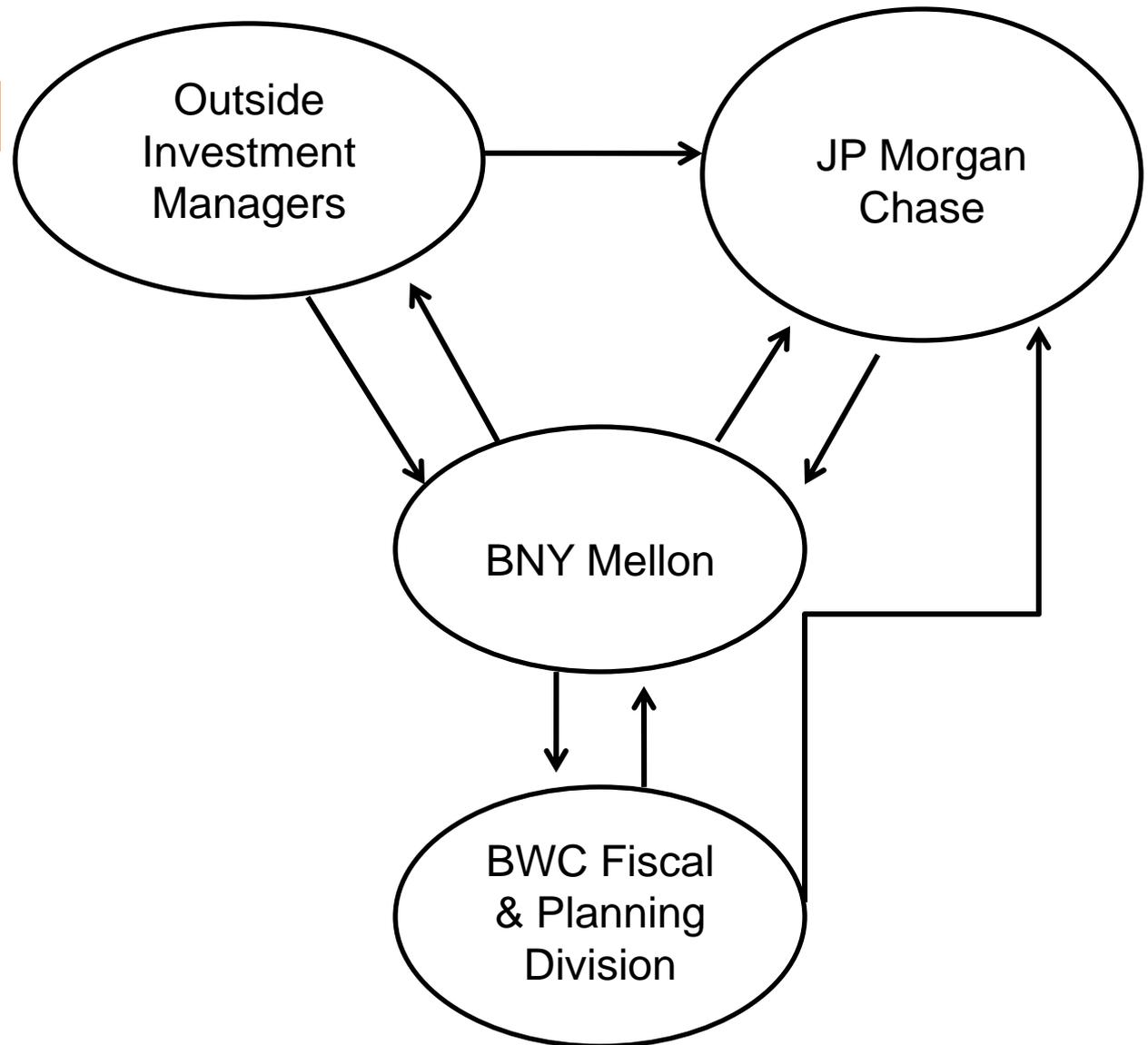
Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment



Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *Outside Investment Managers*
 - *To BNY Mellon*
 - *Daily trade activity*
 - *Reconciliation and valuation statements*
 - *Monthly returns*
 - *JP Morgan Chase*
 - *Daily trade activity*
 - *Reconciliation and valuation statements*

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *JP Morgan Chase*

- *To BNY Mellon*

- *Daily positions and trade activity (via on-line access)*
- *Daily pending trade report*

- *To BWC Fiscal & Planning*

- *Monthly “audited” statements*

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *BNY Mellon*
 - *To Outside Investment Managers*
 - *Monthly statements*

 - *To JP Morgan Chase*
 - *Daily settled cash reconciliation*
 - *Daily settled trades*
 - *Monthly “audited” asset reconciliation*

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *BNY Mellon*
 - *To BWC Fiscal & Planning*
 - *Daily investment activity*
 - *Daily asset and accrual positions*
 - *Daily cash projections*
 - *Weekly cash and position reconciliations*
 - *Monthly performance returns*
 - *Outside Investment Mgr return and market value reconciliations*
 - *Monthly general ledger interface*

Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *BWC*

- *To BNY Mellon*

- *Cash flow transactions*
- *Asset transfers*
- *Management fee accruals*

- *To JP Morgan Chase*

- *Cash flow transactions*
- *Asset transfers*

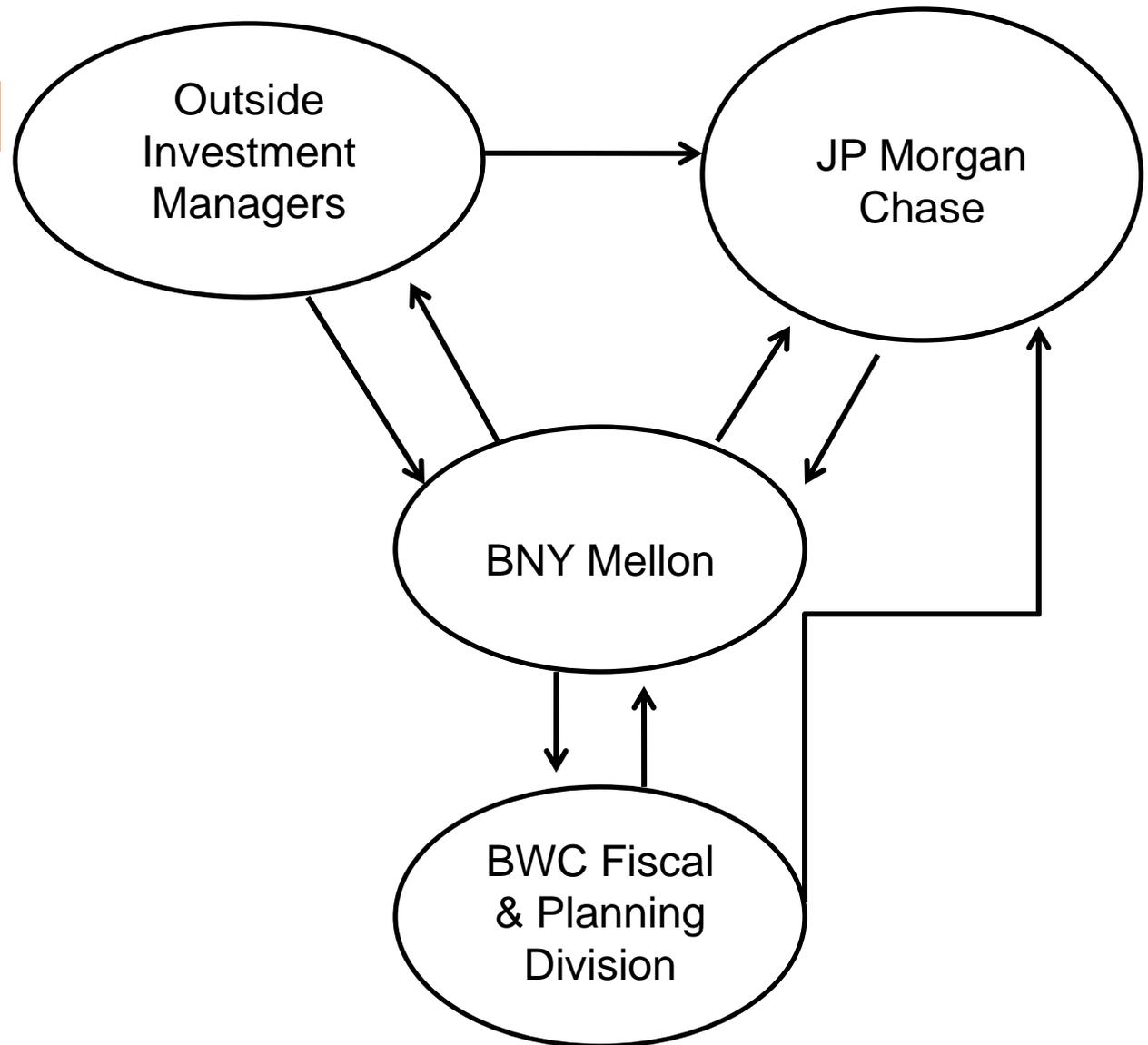
Roles and Responsibilities

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment



Control Environment

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *Annual SAS 70 report on internal controls provided to BWC from BNY Mellon*

- *Reconciliation Processes*
 - *BNY Mellon to Outside Investment Managers*
 - *BNY Mellon to JP Morgan Chase*

Control Environment

Discussion Goals

Key Partners

Roles & Responsibilities

Control Environment

- *Review and Assurance Processes*
 - *Daily and monthly review of BNY Mellon reconciliations*
 - *Confirmation processes required by the Treasurer of State*

Revised FY 2010 Annual Audit Plan

Focus Areas by Quarter

Focus Area	1st Qtr.			2nd Qtr.			3rd Qtr.			4th Qtr.			Audit Effort
	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Coal Workers' Pneumoconiosis/ Marine Fund Claims													4
<i>SI Audit Consulting Engagement</i>													4
Drug Utilization Review													5
<i>WCIS Credits/Claims Cost Transfer</i>													4
External Audit Assistance													5
<i>Warrant Printing Process</i>													2
Coal Mine Safety Program													2
Fixed Assets													3
<i>Investment Accounting & Reconciliation Processes</i>													4
Death Benefits													4
Premium Audit													5
Temporary Total Disability Benefits													5
Disability Evaluator Panel Process													4
Investment Compliance Monitoring													3
Safety & Hygiene													5
Self Insured Bankrupt Claims													4
Employer Rate Adjustments													4
FY 2011 Audit Plan													2
Investment Personal Trading Policy													2
Percentage Permanent Partial Disability Benefits													4
Employer Compliance													5
Audit Validation Testing													5
MCO Audits													5

 Original Audit Plan

 Revised Audit Plan

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

Note: The above does not include IT audits to be performed by OIA.

12-Month Audit Committee Calendar

Date	October 2009	Notes
10/29/2009	1. Charter Review (1 st read)	
	2. Investment Accounting	
	2. Quarterly Litigation Update	
	3. IG Semi-Annual Update	
Date	November 2009	
11/19/2009	1. External Auditor Retention Letter	
	2. Annual Financials MD&A Review	
	3. Comprehensive Report	
	4. Approve Committee Charter Changes	
Date	December 2009	
12/16/2009	1. Enterprise Report Review	
	2. Internal Audit QES Review	
	3. Annual Disaster Recovery/Business Continuity Plan	
Date	January 2010	
1/21/2010	1. Enterprise Report Review	
	2. Quarterly Litigation Update	
Date	February 2010	
2/25/2010	1. To Be Determined	
Date	March 2010	
3/25/2010	1. Inspector General Annual Report	
	2. Internal Audit QES Review	
Date	April 2010	
4/29/2010	1. Discussion of External Audit	
	2. Quarterly Litigation Update	
Date	May 2010	
5/27/2010	1. FY 2011 Administrative Budget (1 st Reading)	
Date	June 2010	
6/17/2010	1. FY 2011 Financial Projections (1 st Reading)	
	2. FY 2011 Administrative Budget (2 nd Reading)	
	3. FY 2011 Audit Plan	
	4. Internal Audit QES Review	
	5. External Audit Update	

12-Month Audit Committee Calendar

	July 2010	Notes
7/29/2010	1. External Audit Update	
	2. Quarterly Litigation Update	
August 2010		
8/26/2010		
September 2010		
9/23/2010		