

BWC Board of Directors

AUDIT COMMITTEE

Thursday, September 24, 2009, 2:30 p.m.

William Green Building

30 West Spring Street, 2nd Floor (Mezzanine)

Columbus, Ohio 43215

Members Present: Kenneth Haffey, Chair
Robert Smith, Vice Chair
William Lhota
James Harris
James Matesich

Members Absent: None

Other Directors Present: David Caldwell, James Hummel, Charles Bryan,
Thomas Pitts, Alison Falls, Larry Price

CALL TO ORDER

Mr. Haffey called the meeting to order at 2:33 PM and the roll call was taken.

MINUTES OF AUGUST 27, 2009

The minutes were approved by unanimous roll call vote on a motion by Mr. Lhota, seconded by Mr. Smith, with the change that Mr. Lhota should not be designated as an *ex officio* member.

REVIEW/APPROVE AGENDA

Mr. Haffey advised one change in that agenda item 1 in "Discussion Items", External Audit Update, will be presented in at the conclusion of the meeting in Executive Session, along with the Litigation Update. The agenda as amended was approved by unanimous roll call vote on a motion by Mr. Matesich, seconded by Mr. Lhota.

NEW BUSINESS / ACTION ITEMS

1. FY09 4th Quarter Executive Summary

Caren Murdock, Chief of Internal Audit, discussed the 4th quarter Executive Summary for FY 2009. Several internal audits and audit comments were reviewed: Investment Division Daily Automated Compliance Process, IT Change Management, Bankrupt Self-Insured (BSI) Securitization Process, Collections, and Ethics. Mr. Harris and Mr. Lhota asked about the BSI securitization process with respect to improvements from an earlier internal audit in 2005. Ms. Murdock replied that this audit was more specifically

focused on surety bonds and letters of credit than the 2005 audit. Tom Woodruff, Director of Self-Insured, explained how BWC pursues collection from third parties when a self-insured employer defaults. Mr. Haffey asked if there was any specific incident or request which led to this particular audit. Ms. Murdock replied that it was a random audit.

Ms. Murdock then reviewed a series of charts and statistics, noting that management has done an outstanding job of addressing audit comments this quarter, resulting in a 23% decrease. In particular, fourteen (14) comments from 2006 and 2007 were reduced. Mr. Price questioned why comments remain outstanding from these periods. Ms. Murdock responded that some relate to long-term fixes and rate reforms. Internal Audit expects this to be an ongoing process that it is constantly evaluating.

DISCUSSION ITEMS

1. Reserve Accrual Process

Barbara Ingram, Director of Accounting, gave a presentation regarding the liabilities side of the balance sheet with respect to reserves. Reserves are actuarial estimates of claim liabilities, which are pro-rated and recorded on a monthly basis as an expense, then updated quarterly based on payment trends. Ms. Ingram reviewed the changes in reserves through fiscal year 2009, which produced annual decreases throughout the year from the initial estimate. The result is a reduction to the expense side of the balance sheet, and a corresponding increase in income and net assets

2. Financial Statement Closeout Process

Tracy Valentino, Chief of Fiscal and Planning, reviewed the financial statement closeout process, with respect to post-closing adjustments after the fiscal year end of June 30, 2009. Once audited financial statements are completed, Schneider Downs will forward the report to the Auditor of State for approval. BWC will also provide information to the Office of Budget and Management. Mr. Lhota asked why BWC, as a self-funded agency, doesn't file its own certified annual financial report (CAFR). Ms. Valentino noted BWC is a cabinet level agency, and that its information is listed as a separate item in the state CAFR.

3. Committee Calendar

Mr. Haffey noted no changes to the calendar.

4. External Audit and Litigation Update, Executive Session

At 3:55 PM, Mr. Haffey moved to recess to Executive Session for updates on the external audit and litigation, seconded by Mr. Harris and approved by unanimous roll call vote.

Mr. Smith departed the meeting at this time.

Mr. Haffey moved to adjourn from Executive Session at 4:25 PM, seconded by Mr. Lhota and approved by unanimous roll call vote.

ADJOURNMENT

Mr. Matesich moved to adjourn the meeting at 4:25 PM, seconded by Mr. Lhota and approved by unanimous roll call vote.

Prepared by Jill Whitworth, Staff Counsel
September 24, 2009.