

BWC Board of Directors

**AUDIT COMMITTEE**

**Thursday, October 29, 2009, 2:30 p.m.**

**William Green Building**

30 West Spring Street, 2<sup>nd</sup> Floor (Mezzanine)

Columbus, Ohio 43215

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

Members Absent: None

Other Directors Present: James Hummel, Thomas Pitts, Alison Falls, Larry Price

**CALL TO ORDER**

Mr. Haffey called the meeting to order at 2:30 PM and the roll call was taken.

**MINUTES OF SEPTEMBER 24, 2009**

Mr. Haffey requested that the word “the” be inserted as the second word of the second sentence under “Financial Statement Closeout Process” on page 2. The sentence will thus read as follows: “Once the audited financial statements are completed, Schneider Downs will forward the report to the Auditor of State for approval.”

The minutes as amended were approved by unanimous roll call vote on a motion by Mr. Matesich, seconded by Mr. Smith.

**REVIEW/APPROVE AGENDA**

There were no changes to the Agenda.

**NEW BUSINESS / ACTION ITEMS**

1. **Motions for Board Consideration**
  - A. **For First Reading**
    1. **Committee Charter**

Don Berno, Board Liaison, and Ann Shannon, Legal Counsel, reviewed changes to the Committee Charter reflecting comments made at the September meeting.

Changes have been made so all charters are consistent regarding meetings and membership.

The following changes were requested, consistent with changes to all charters:

- Page 1, deletion of the last bullet point under Purpose and transferring this language to Item #15 under Duties;
- Page 2, deletion of the third sentence in paragraph 1, “ The Board grants the Committee authority to have additional meetings.” ; and
- Page 4, deletion of the sentence “ The subcommittee shall report to the Board of Directors through the Committee.”

On Page 2, the seventh bullet point under Duties and Responsibilities, Mr. Haffey inquired whether review of the Quarterly Executive Summary complies with the statutory requirement for the Committee to review all internal audit reports on a regular basis. Ms. Shannon reviewed the language of Ohio Revised Code §4121.129(A)(5), which is the same as the language in the Charter. Ms. Falls suggested the language in the Charter be changed to “ Review all internal audit reports as summarized in the Quarterly Executive Summary.” The first sentence at the top of page 3 will be eliminated as it is redundant.

Items 9 and 10 on page 3 were reviewed and discussed. Item 9 remained unchanged. Item 10 was revised to read “ Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities.

Ms. Falls noted the items in the final bullet point on page 2 were all important enough to stand on their own. It was also suggested the language of Item 12 on page 3 be updated to reflect terminology such as discount rate and funding ratio.

Mr. Matesich moved that the Audit Committee of the Workers’ Compensation Board of Directors refer the Audit Committee Charter to the Governance Committee to consider the recommended changes discussed here today. The motion was seconded by Mr. Smith and approved by unanimous roll call vote.

## **2. Investment Accounting**

Tracy Valentino, Chief of Fiscal and Planning, reviewed a Power Point presentation regarding investment accounting. This is intended as an introduction to a future presentation on investment auditing. Ms. Valentino outlined the various functions of key partners Bank of New York Mellon, outside investment managers, and JP Morgan Chase, the designated investment custodian of the Treasurer of State, and how information flows among BWC and these entities.

Ms. Valentino also discussed internal controls such as BWC review of the BNY Mellon Statement on Auditing Standards (SAS 70). This is prepared by BNY

Mellon's external auditors, and saves BWC from having to do their own audit of BNY Mellon. BWC also has its own agency review and assurance policies, and reports information from JP Morgan Chase to the Treasurer on a weekly basis.

Per a question from Mr. Haffey, Ms. Valentino advised that BWC has never had to ask for additional information or clarification from these entities. This process is state of the art for a State Agency.

## **DISCUSSION ITEMS**

### **1. Open Discussion with Internal Auditor**

Caren Murdock, Chief of Internal Audit, reviewed a chart showing the revised audit plan for FY2010. The Investment Auditing presentation will be done at the December Committee meeting. Internal Audit has concluded 1000 hours of testing required by the external auditors. Mr. Haffey asked what percentage of the external audit work these activities constitute. Ms. Murdock will obtain this information.

Changes in the audit plan have resulted from timing issues, internal management requests and additional projects. Mr. Harris asked about the purpose of the Coal Mine Safety audit. Ms. Murdock confirmed this was to confirm coal safety funds are being properly spent.

### **2. Committee Calendar**

Mr. Haffey noted a change to the calendar in that the November 19, 2009 Audit Committee meeting will include a presentation on reinsurance.

### **3. Litigation Update, Executive Session**

At 3:19 PM, Mr. Haffey moved to recess to Executive Session for an update from the Inspector General and a litigation update, seconded by Mr. Smith and approved by unanimous roll call vote 4-0, as Mr. Lhota was briefly absent.

Mr. Haffey moved to adjourn from Executive Session at 4:22 PM, seconded by Mr. Smith and approved by unanimous roll call vote.

## **ADJOURNMENT**

Mr. Haffey moved to adjourn the meeting at 4:23 PM, seconded by Mr. Harris and approved by unanimous roll call vote.

Prepared by Jill Whitworth, Staff Counsel  
October 29, 2009