**BWC Board of Directors**
# Audit Committee
**Wednesday, April 29, 2009, 4:00 PM**
**William Green Building**
Level 2, Room 3 (Mezzanine)
30 West Spring St.
Columbus, OH 43215

Members Present: Mr. Kenneth Haffey, Chair
Mr. Robert Smith, Vice Chair (Arrived at 4:15 P.M.)
Mr. William Lhota
Mr. James Matesich

Members Absent: Mr. James Harris

Other Directors Present: Ms. Alison Falls
Mr. James Hummel
Mr. Thomas Pitts
Mr. Larry Price

## CALL TO ORDER

Mr. Haffey called the meeting to order at 4:02 PM and the roll call was taken. Mr. Haffey, Mr. Lhota, and Mr. Matesich were present. Mr. Smith arrived at approximately 4:15 PM.

## MODIFICATION OF AGENDA

Prior to proceeding with the agenda, Mr. Haffey noted Ms. Caren Murdock, Chief of Internal Audit, and Ms. Tracy Valentino, Chief of Fiscal & Planning, were both scheduled to speak in the New Business and Discussion Items sections of the agenda. Mr. Haffey desired to combine their presentations in each section in the New Business section of the agenda. Mr. Haffey moved to have the agenda so changed, and Mr. Matesich seconded the motion. The motion passed with a unanimous 3-0 roll call vote, with Mr. Smith not present during this vote.

## MINUTES OF MARCH 19, 2009

Mr. Haffey opened the floor for discussion of any changes to the minutes of March 19, 2009. With no changes recommended, Mr. Matesich moved to have the minutes of March 19, 2009 be approved without change. The motion was seconded by Mr. Lhota, and the motion passed with a unanimous 3-0 roll call vote, with Mr. Smith not present during this vote.

## NEW BUSINESS / ACTION ITEMS

### 1. EXTERNAL AUDIT

Mr. Joseph J. Patrick, Jr., CPA Partner, Schneider Downs & Company, appeared before the Audit Committee. Mr. Patrick noted his presentation was general in nature, and its intent was to provide an update on the current status of the external audit, and plans for the balance of the year.

Mr. Patrick began by stating the external audit was in a very early preparation phase. Mr. Patrick noted from a management standpoint, this year was the fourth or fifth consecutive year with the same team in place. Mr. Patrick reported that in early April, the audit team met with Bureau management, and the purpose of the meeting was to outline the scope and timeframe of the audit. To the best of Mr. Patrick's knowledge, there were no significant changes to the audit's scope identified at this time.

Mr. Patrick noted the external audit consists of four major areas of concentration: the revenue cycle; the disbursement cycle; investments; and compensation accrual. On May 11th, Mr. Patrick reported the control testing for the revenue and disbursement cycles will begin. He expected a summary and report by June 30th. At that time, Mr. Patrick said he would provide draft management letter comments.

Mr. Patrick also reported the external audit was on track overall. Additionally, he reported there would be meetings to discuss any potential fraud issues in conjunction with audit requirements, and the interim stage of the audit should be wrapped up by June 30th as well.

Mr. Haffey said he appreciated the detail in Mr. Patrick's comments, and he noted the external audit worked well last year. The presentation provided the audit committee of the audit process and timeframes going forward and provided management and the audit committee timely information on any hot button issues that may be out there. Mr. Haffey concluded his remarks by stating that, by late July/early August the focus of the external audit should be on the balance sheet.

### 2. OFFICE OF BUDGET AND MANAGEMENT (OBM), OFFICE OF INTERNAL AUDIT (OIA) UPDATE

Mr. Joe Bell, OBM Chief Audit Executive, appeared before the Audit Committee to provide an update of activities between his office and the Bureau. Mr. Bell noted there had been a number of changes that had developed in the past week.

Mr. Bell first said he had received the Governor's Executive Order to be mindful of control and spending strategies. Additionally, audit coverage between OIA and the Bureau had been discussed at length with Administrator Ryan and Mr. Haffey. Mr. Bell stated state finances may have some impact of the coverage OIA provides to the BWC. He announced there will be a two year delay—through this budget biennium—in combining the Bureau's auditors into OIA.

Mr. Bell reported this two year hold only applied to the Bureau's financial auditors; two information technology auditors would still be transferred to OIA as previously scheduled. Mr. Bell emphasized the two year hold did not mean there would be no communication between OIA and the Bureau; rather, the two years would be spent in collaboration with the Bureau to monitor coordination, as well as to address any questions and concerns. Essentially, Mr. Bell said there would be points in time where the audit band width would be examined in this two year period, and point-in-time evaluation would need to be performed to see how the pending transfer was progressing.

Mr. Bell noted this two year hold was determined since last Thursday, and he received input from the State Audit Committee Chairman, OBM, Administrator Ryan, and Mr. Haffey. All parties agreed this delay was the best path moving forward. Mr. Bell also reported he discussed the delay in transfer with Ms. Murdock, and this delay allowed some leveraging with Bureau staff whom are affected by the transfer.

Mr. Haffey commented he agreed with Mr. Bell's statements, and he was directly involved in these discussions in weekly calls with Mr. Donald Berno, Board of Directors' Liaison, as well as with Administrator Ryan and Ms. Murdock. Mr. Haffey noted this announcement was fairly big news because the transfer was to occur in only a couple of months. Now, OBM/OIA and the Bureau are taking a step back for a couple of years. Mr. Haffey commended Mr. Bell for looking at the big picture of the transfer, and he looked forward to staying in contact with Mr. Bell.

Administrator Ryan also commented that Mr. Haffey's comments provided a good summary of this decision. Administrator Ryan noted this delay made perfect sense for the Bureau and the enterprise of the State of Ohio.

Mr. Lhota inquired if Mr. Bell knew of any federal stimulus funds being given to the Bureau. Mr. Bell said he was not aware of any, but he also was not aware of all programs receiving these funds. Administrator Ryan noted the Bureau may have some involvement with projects receiving federal stimulus funds, but none of these funds were being directly distributed to the Bureau. For example, Administrator Ryan noted an electronic medical records sharing project for southeastern Ohio may receive federal stimulus funds, and the Bureau may wish to be an active participant in this project.

Mr. Lhota asked if federal stimulus funds are involved in a project, is there someone from the Inspector General's Office that monitors the funding. Mr. Bell replied in the affirmative, that someone from the Inspector General's Office would monitor federal stimulus fund spending. Mr. Bell added that, depending on how the federal stimulus funds were designated, the roles of the Auditor of State, OBM, and Bureau management may need to be coordinated. The Bureau may not be the main recipient of federal stimulus funds, but if the Bureau does become involved in a federal stimulus funds project, Mr. Bell recommended the Bureau have its internal auditors involved. Mr. Bell indicated this action was recommended because the auditors could determine what controls were needed for the central reporting.

3. **ENTERPRISE REPORT REVIEW**
   a. **FY 2009 ADMINISTRATIVE COST FUND**
   b. **FY 2010 BUDGET PREVIEW**
   c. **FY 2010-2011 BUDGET UPDATE**

Ms. Valentino appeared before the Audit Committee. Ms. Valentino referred the Audit Committee to pages 9 and 10 of the Enterprise Report.

Ms. Valentino began her presentation showing where the Bureau is now in the fiscal year (FY) 2009 budget in preparation for the FY 2010 budget.

The Administrative Cost Fund (ACF) is the source of Bureau funds to pay overhead costs, such as: payroll, temporaries, construction, rent, utilities, supplies, maintenance, and equipment. Ms. Valentino said employers are charged an assessment, based on percentage of premium. For self insured employers, the assessment is based on a fraction of compensation paid. The assessment rate is established based on what the Bureau expects to spend; the assessment is not fully loaded. The rate is set so the Bureau can cover approximately $300 million in costs.

Presently, Ms. Valentino reported the Bureau was ten percent (10%) under budget for this fiscal year. Ms. Valentino noted this result was a conscious effort by the Bureau because of the economic downturn. If the revenues for the ACF were not collected through premiums, the Bureau had no other source of revenue to cover any shortfall. Given the Bureau's past experience, and factoring in the current economy, the Bureau made changes. For example, if a department did not spend payroll in a given month, the Bureau retired that payroll. Ms. Valentino noted this decision was conscious because the Bureau was concerned about the January/February collection cycle being extremely low, and budget cuts would have to be done further for the next six months. Additionally, Ms. Valentino reported the Bureau delayed purchasing equipment and took a look at ongoing projects. In sum, the Bureau took a very conservative standpoint agency wide, and the Bureau has responded well.

Additionally, Ms. Valentino stated, at the end of February and the beginning of March, the Bureau asked for a fifteen percent (15%) rate reduction from all consultants. If the consultants refused the rate reduction, their services were discontinued. The services of the discontinued consultants were then either given to consultants who agreed to the rate reduction, or the need for the consultants was eliminated. Overall, this rate reduction resulted in reducing consultant costs by one-third and contributed well to the Bureau being under budget by 10%.

Ms. Valentino then noted the Ohio Legislature approves the Bureau's budget and appropriations. The appropriation figure is the amount the Bureau is allowed to spend in the fiscal year. For this fiscal year, the Bureau has a budget of $305 million, and the Bureau has been appropriated $329 million. Ms. Valentino noted the budget and appropriations, according to the Deloitte study, compare very similarly to the Bureau's peers.

Ms. Valentino reported there are some, but not many, costs, that are not paid through the ACF. Three items in particular, are charged to the Ohio State Insurance Fund (OSIF): actuarial consulting expenses, investment consulting expenses, and fees for the Rehabilitation Services Commission. All other expenditures to the OSIF are medical and claims expenditures.

Looking forward to FY 2010, Ms. Valentino noted the Bureau was 10% under budget and significantly under appropriated funds. Consequently, she did not anticipate a change in the budgeted amount. Ms. Valentino said the Bureau was working with the Governor's Executive Orders, and controls are in place regarding hiring and equipment. Non-payroll related expenses are being given a lot of scrutiny. Ms. Valentino expected the Bureau to finish the fiscal year at no more than ninety percent (90%) of their budgeted funds expended; in fact, she said this figure would likely be less.

However, Ms. Valentino also told Audit Committee the proposals for the FY 2010 budget also required a determination of an administrative assessment rate to be charged to employers. This rate must be determined and approved by the Board of Directors by July 1, 2009. Ms. Valentino emphasized she was not asking for an approval of any particular rate at this time; she was only introducing this issue to the Audit Committee. Ms. Valentino noted that no appropriations have been approved by the General Assembly at this time; however, as an agency, the Bureau cannot wait, and the Bureau must work under the presumption the funds will be appropriated. Ms. Valentino referred the Audit Committee to the FY 2008 expenditures, FY 2009 estimated expenditures, and projected FY 2010 expenditures.

Ms. Falls inquired why there was a difference between $332 million versus $329 million appropriated. Ms. Valentino responded the figure was $329 million, but $2.5 million was added by the legislature to expand a safety grant program.

Ms. Valentino then proceeded to review several anticipated line items in the FY 2010 budget. First, with regard to payroll, there will be an adjustment upwards due to filled positions halfway through FY 2009. In particular, actuarial positions, the Superintendent of Safety and Hygiene, and investment professional positions will impact the FY 2010 budget by budgeting for these positions for a full year instead of a partial year. Second, healthcare premiums of employees will also increase. Third, the FY 2010 budget will anticipate filling critical positions that have been identified but had not been filled in FY 2009.

Mr. Smith inquired about rent received from other agencies, specifically whether the rent was considered revenue or an expense reduction. Ms. Valentino replied the rent was considered general revenue, and the rent included rent received from the Industrial Commission and future tenants. Ms. Valentino reported the budget is reduced by factoring in those rents, or in other words, the rent is "netted out." Ms. Valentino stated the rents are budgeted because the rent is a pass-through impacting the Bureau's overall budget.

Fourth, Ms. Valentino noted there originally was a factoring in of the interagency transfer of internal audit to OBM in the FY 2009 budget. Clearly in light of the presentations today, this transfer needs to be realigned. Fifth, Ms. Valentino noted there was a changeover to state printing. Previously, the Bureau used its own print shop. Ms. Valentino noted there would not be a significant change in the budget as expected when considering staff and equipment. Sixth, Ms. Valentino noted there would be an increase in the FY 2009 budget due to budgeting for infrastructure projects that had been needed for some time, but previous budgets had delayed. The total increase in this area was by two hundred seventy-five percent (275%), but this only increased the budget by a few million dollars.

Mr. Haffey inquired if this particular increase included the elevator repairs in William Green. Ms. Valentino replied that specific repair was a capital improvement expenditure in this year's budget. Ms. Valentino added that some items do not fall into the project category, but instead fall under ongoing operating expenditures.

Ms. Valentino finally noted there would be an increase to $6 million in safety grant loans, up from the original $4 million, and the FY 2009 budget also incorporated $3 million for legislatively mandated earmarks. Ms. Valentino stated some ideas by the legislature may cost the Bureau funds, but this allocation was done last year without being used by the Bureau.

Mr. Smith inquired if the Deloitte study was paid for under the Bureau's budget. Ms. Valentino answered in the negative; the Deloitte study was paid out of the OSIF.

With regard to capital improvements, Ms. Valentino noted many of the projects dealt with rate reform, software and hardware upgrades, and medical bill payment upgrades. In total, there were between thirteen and fifteen projects with anticipated cost projections of approximately $13.7 million. Ms. Valentino noted various roofing and cooling system replacements were also needed. These capital improvements were needed to create energy efficiencies, especially if the Bureau anticipated leasing space.

In summary, Ms. Valentino noted the projected budget for FY 2009 was approximately $305 million. This figure is close to this current year's budget. Ms. Valentino anticipated approximately $20 million in this current year's budget would be saved through cost controls, and improvements. She expects the current budget proposal will also have similar appropriation amounts requested to be submitted and approved by the General Assembly.

Ms. Valentino noted she would be providing the Audit Committee, before tomorrow's Board of Directors meeting, an appropriation line item breakdown. This line item appropriation was broken down to each Bureau division.

Mr. Lhota had a question about the $22 million dollar figure listed in the Enterprise Report on page 11, and asked if the funds were funded two years ago. Ms. Valentino stated that was accurate, but the funds are only charged against the budget when they are encumbered.

Mr. Price inquired if capital improvement funds come from premiums. Ms. Valentino stated the funds come from the ACF assessment from employers, so yes, the funds do come from premiums. Mr. Price inquired if the Bureau submits requests to the General Assembly to do capital improvements. Ms. Valentino answered that the Bureau works closely with the Department of Administrative Services' State Architect's Office. The Bureau relies heavily on those agencies' experience, knowledge and expertise. Those agencies also submit bids on the Bureau's behalf. However, since no general revenue funds are used for any of the Bureau's operating expenses, the capital improvements do not require legislative approval.

Mr. Lhota inquired as to the definition of a capital improvement. Ms. Valentino provided examples of building repairs, the elevator repair in William Green, and energy saving initiatives. Mr. Haffey added a capital improvement was separate from a repair or maintenance cost because the capital improvement is intended to extend the life of the asset. Mr. Smith inquired if there was a dollar threshold involved, and if so what would it be, for something to be considered a capital improvement. Ms. Valentino replied the smallest capital improvement is somewhere in the area of $500-$1,000. Ms. Valentino noted whether something is a capital improvement or not is dependent upon the underlying asset, and is not based on a threshold dollar amount. Mr. Smith noted there are government accounting standard guidelines established by the Department of Administrative

Services. Mr. Haffey added there was a reasonableness test involved in determining whether an activity was a capital improvement or maintenance.

## 4. EFFECTIVE DATE OF DISCOUNT RATE CHANGE

Ms. Valentino also appeared before the Audit Committee for this section. Ms. Valetino began by stating there was an issue that arose at last month's Board of Directors meeting; in particular, there was a question about the impact on the FY 2009 financial statements by incorporating a four and one-half percent (4.5%) discount rate. Ms. Valentino reported to the Audit Committee that there would be an impact on the FY 2009 financial statements and actuarial audit. These adjustments were needed because the financial statements have to consider the discount rate as it is changed. From an audit perspective, there has been a fundamental change in the accounting standard that has been approved and scheduled for implementation. Hence, the actuarial audit must take into consideration the previous discount rate of five percent (5%) to the new discount rate of 4.5%.

Mr. Haffey inquired about the impact on financial statements using the effective date of the discount rate as of June 30th, 2009 as opposed to July 1st, 2009. The policy year begins on July 1st, and for financial statement purposes, the discount rate is in effect as of June 30th. Mr. Haffey noted this date may raise potential for a prior year adjustment to the financial statements instead of using the effective date of July 1st, and he had discussions with Ms. Murdock and others.

Ms. Valentino replied the Bureau vacated the advanced date because of timing issues. The actuarial audit covered through March 31st, with a June 30th roll-forward date. Ms. Valentino indicated the external financial auditors could perform the financial audit with a post audit period adjustment; however, by using the June 30th date, the Bureau could post the changes as a result of the change in the discount rate to the June financial statements. Consequently, Schneider Downs & Company would have a cleaner financial audit process.

Mr. Haffey noted these accounting issues were particular to the insurance industry, and he had to do some research into the issue.

Ms. Falls inquired if there would be a net decrease between the May and June 30th balance sheet to reflect the change in discount rate. Ms. Valentino replied in the affirmative.

Mr. Matesich moved that the Audit Committee recommend to the Board of Directors that the discount rate approved at the March Board meeting be utilized by BWC's external actuarial consultant, Oliver Wyman Actuarial Consulting Inc., and BWC's external audit firm, Schneider Downs & Company Inc., for purposes of the Reserve for Compensation and Compensation Adjustment Expenses as of

June 30, 2009. The motion was seconded by Mr. Lhota, and the motion passed with a unanimous 4-0 roll call vote.

As a final comment, Ms. Falls indicated the Board of Directors had approved a Discount Rate Policy Statement. Ms. Falls recommended this policy statement be reviewed to determine if the statement needs to be modified at the next Board of Directors meeting.

## 5. AUDIT PROCESSES AND OPEN DISCUSSION WITH INTERNAL AUDITOR

Ms. Murdock appeared before the Audit Committee and presented a slide presentation on Internal Audit Processes.

Ms. Murdock began her presentation by noting there are two roles for the Bureau Auditor: assurance and consulting activities. Examples of assurance activities are: internal and system control effectiveness; business process effectiveness and efficiency; and evaluation and improvement of effectiveness of risk management, control, and governance. Consulting activities are advisory type activities; the nature and scope are agreed upon with the client and are intended to add value without the internal auditor assuming management responsibility. Examples include: counsel and advice; documenting process diagrams; new program, system and process consulting; training and education; and business process and internal control design.

Ms. Murdock said the annual audit process consisted of completing a risk assessment, developing an audit plan, conducting audits, and publishing audit reports. International audit standards require the Chief Audit Executive to determine priorities of audits. Ms. Murdock indicated she meets at least annually with the Board of Directors and senior management for their input in this regard, which must be considered. Furthermore, Ms. Murdock also coordinates audit activities with other internal and external auditors to prevent a duplication of efforts.

Ms. Murdock then proceeded with the risk assessment process. She stated Mr. Keith Elliott had presented a more in-depth of this process last month, and this portion of the presentation was only going to be a high level overview. Ms. Murdock said the first step was planning the risk assessment; in the Bureau, this step is conducted in March through May. This step identifies the agency’s audit universe and audit focus areas. The next step is conducting the risk assessment. Ms. Murdock reported meetings are held with the Board of Directors, key management and stakeholders to identify new risks. Then, the risks are analyzed, and the risks are considered for likelihood and impact in the coming fiscal year. Finally, the last step is providing deliverables. A heat map is created and discussed with the Administrator and Chief Operating Officer, and an annual audit plan is presented to the Audit Committee in June.

Ms. Murdock noted an audit can be divided into four phases: planning, understanding, evaluating, and completing.

In the planning phase, Ms. Murdock stated auditors develop a plan for each engagement, including the objectives, scope, timing and resource allocation. The scope is broad at first, but it is narrowed. Steps to complete the engagement are configured, and an initial risk analysis is performed; this process creates a road map of steps for the auditors to take in their review. An entrance conference is held with the client to review the audit process, discuss the scope and audit objectives, as well as an estimated completion date.

In the understanding phase, the auditors identify relevant and useful information to achieve the objectives. Auditors document processes and identify key controls via narrative and flow charting. The auditors will conduct a walkthrough of the process from beginning to end. The goal is for the auditors to obtain a good understanding of the process. In the Bureau, auditors frequently review the Ohio Revised Code, federal statutes, and Bureau policies. Once the procedures are documented, they are forwarded to the client to verify the auditors' understanding of the process. At this time, the audit scope is then finalized and the client is informed of any changes made since the entrance conference.

In the evaluation phase, Ms. Murdock stated this phase involved development of a testing plan, performance of tests and validation and communication of results. Ms. Murdock noted performance of tests was a testing of controls or testing of compliance. An example of testing of controls was verifying whether or not a supervisor approved an invoice before submitting for payment. An example of testing of compliance was whether or not the Bureau's policy that a claim should be processed in thirty days, and the auditors look at the day a claim is received and the date the claim was decided. Ms. Murdock noted that only sample population testing is done; 100% of all data is not audited unless specified that it was necessary to do so. Any errors or inefficiencies are noted to the client, and there is verification with the client that the auditors have not overlooked something. After verification, the auditor completes a Potential Audit Report Comment (PARC) form. This form details: anything identified by the auditors that was wrong; criteria used in the audit; potential impact or effect if the problems are not corrected; cause or why the problems occurred; and recommendations with consideration of good business practices. The PARC is reviewed with the client and is used as the basis of developing a draft report. Management is asked to respond to PARCs within five business days, and the response should include corrective action management plans to take to address the problems identified with a target completion date.

Ms. Murdock noted the draft report is the beginning of the completion phase. Management is encouraged to respond to the draft report within five business days. An exit conference is then scheduled to discuss the draft report with the client, usually within five days. Discussions at the exit conference are at a high level unless changes are needed. The auditors take the client recommendations back to the group for discussion. Ms. Murdock said changes are made based on client recommendations, and comments are provided to management before the final report is released. The final report is published usually one to two days after the exit conference. The final report – in highlighted form – is presented to the Audit Committee. The Audit Committee is presented updates on audits on a quarterly basis.

After the audit is completed, Ms. Murdock said there is quarterly follow up to monitor and ensure corrective actions are being implemented, or that management has accepted risk of not taking corrective action. Internal Audit does verify management's responses to these follow up requests, and testing is done to ensure compliance. Replies to outstanding comments are provided to senior management and the Board of Directors.

Ms. Murdock also noted there are three types of audit follow up: casual, limited, and detailed follow up. Casual is the most basic, and is self explanatory. Casual audit follow up can be verbal or written, and usually it is used in cases where less than critical findings are identified. Limited audit follow up requires more client interaction, which may include actually verifying procedures or transactions. Detailed audit follow up is time consuming, and Ms. Murdock said one could consider a detailed audit follow up to be a mini audit. Ms. Murdock noted a sample would be pulled and tested to see if the problem was addressed. Ultimately, audit follow ups are used to track all outstanding comments and dispositions to ensure they are resolved in a timely manner.

At this time, Ms. Murdock completed her presentation and asked if there were any questions from the Audit Committee.

Mr. Haffey said the presentation was not too high a level. He asked Ms. Murdock to comment on the magnitude of audits her department did. Ms. Murdock replied there were five audits completed recently, and eight additional audits are ongoing. At the same time these audits are being performed, her department is also conducting validation work. Ms. Murdock noted that she works off the Audit Committee's schedule. Ms. Murdock said there was originally a rush to combine with OBM, but now her department could take a step back but continue to work closely with OBM. Ms. Murdock hoped everything ongoing or planned would be closed in the next two years. Ms. Murdock added 1,000 hours from her department goes to the external auditor to help with financial and investment audits testing. Mr. Smith asked how much savings that provides, and Ms. Murdock said it was between $70,000 and $100,000.

Mr. Haffey said he was more interested in the total number of audits. Ms. Murdock said her department performs approximately twenty-five audits per year, and there are 3,500 unplanned hours. Those hours are used for consulting issues that management or the Administrator may wish her department address.

Mr. Haffey noted the magnitude of some audits is more involved than others. Some audits have been done before, but others must be started from scratch. Mr. Haffey indicated he is copied on reports sent to Administrator Ryan, so he knows where the Bureau is in the audit process. Mr. Haffey said the Bureau is starting to wrap up its FY 2010 audit plan, which will be presented in June to the Audit Committee. Ms. Murdock concluded her presentation by saying she is monitoring the chargeback process to keep scopes focused, finishing audits in the time allotted, and maximizing value for the Administrator and the Bureau.

**ADDITIONAL DISCUSSION ITEMS**

**1. COMMITTEE CALENDAR**

Mr. Haffey briefly noted the Audit Committee's tentative agenda for next month will include a quarterly executive summary as well as first reading of the administrative budget for FY 2010.

**2. INSPECTOR GENERAL ANNUAL REPORT & QUARTERLY LITIGATION UPDATE – EXECUTIVE SESSION**

At 5:10 PM, Mr. Haffey moved the Audit Committee enter Executive Session for discussion of the Inspector General's Annual Report and discussion of the Quarterly Litigation Update. The motion was seconded by Mr. Lhota, and the motion passed with a 4-0 unanimous roll call vote.

At 6:00 PM, Mr. Haffey moved the Audit Committee leave Executive Session. The motion was seconded by Mr. Smith, and the motion passed by a unanimous 4-0 roll call vote.

**ADJOURNMENT**

Mr. Matesich moved to adjourn the meeting at 6:02 PM, seconded by Mr. Lhota. The meeting adjourned with a unanimous 4-0 roll call vote.

Prepared by Michael J. Sourek, Staff Counsel
May 5, 2009