

BWC Board of Directors
Audit Committee Agenda

William Green Building
Thursday, September 23, 2010

Level 2, Room 3
8:00 a.m. – 9:30 a.m.

Call to Order

Ken Haffey, Committee Chair

Roll Call

Jill Whitworth, Scribe

Approve Minutes of August 26, 2010 meeting

Ken Haffey, Committee Chair

Approve Agenda

Ken Haffey, Committee Chair

New Business/ Action Items

1. FY 2010 4th Quarter Executive Summary
Caren Murdock, Chief of Internal Audit

Discussion Items*

1. Open Discussion with Internal Auditor
Caren Murdock, Chief of Internal Audit
2. Committee Calendar
Ken Haffey, Committee Chair
3. Litigation Update, if necessary, Executive Session
James Barnes, General Counsel and Chief Ethics Officer
4. Inspector General Semi-Annual Report, Executive Session
Joe Montgomery, Deputy Inspector General

Adjourn

Ken Haffey, Committee Chair

Next Meeting: Thursday, October 21, 2010

* Not all agenda items have material.

** Agenda subject to change.

**BWC Board of Directors
Audit Committee**
FY 10 4th Quarter Executive Summary Report

September 23, 2010

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

To: Audit Committee Members
From: Caren Murdock, Chief of Internal Audit
Date: September 23, 2010

Fiscal Year 2010 4th Quarter Executive Summary Report

Following you will find the Fiscal Year (FY) 2010 4th Quarter Executive Summary (QES) Report containing:

1. Audit Comment Status
 - 1a. Audit Comments Issued 4th Quarter
 - 1b. Charts and Summary Statistics
 - 1c. Audit Comments Outstanding as of June 30, 2010
2. Audit Report Follow-up Procedures
3. Audit Comment Rating Criteria
4. Fiscal Year 2010 Audit Plan
5. Fiscal Year 2011 Audit Plan
6. QES Acronyms

BWC Internal Audit Division

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BWC Internal Audit Division Audit Comments Issued – 4th Quarter Activity

Premium Audit – July 2010

As part of the Fiscal Year 2010 Internal Audit Plan, the BWC Internal Audit Division (IAD) conducted an audit of the Premium Audit process. Internal Audit's focus was evaluating the efficiency and effectiveness of the procedures and methodologies used to perform, monitor, and track the Premium Audit process by:

- Determining if current internal controls are adequately designed and implemented;
- Evaluating whether the process of premium auditing is efficiently and effectively administered:
 - Determining if premium audits are performed timely, accurately and in accordance with applicable statutes and agency policies;
 - Assessing the sufficiency of management reporting processes in place to enable effective monitoring of audit activities and processing timeframes;
 - Evaluating the adequacy of quality assurance review procedures to properly manage the process and ensure accuracy and appropriateness in the Premium Audit process; and
- Providing recommendations to improve controls and reduce risks.

Recommendation		Disposition
1	Revise the audit selection methodology to require audits of all policies that have claims filed against them for periods in which the employer reported zero payroll. Rating: Significant Weakness	Management will conduct a semi-annual review of the data warehouse runs prior to assignment for audit to identify those employers appropriate for premium audit. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process
2	Revise the premium audit targeting approach to ensure that Professional Employment Organizations (PEOs) are audited every year. Rating: Significant Weakness	Management will audit more PEO's every year. The FY 2011 audit plan calls for 100 PEO premium audits, which will be prioritized based upon premium size, number of clients, past loss and reporting history. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
3	Modify the premium audit policies and procedures to require auditors to tie gross payroll amounts reported by the employer to the employer payroll disbursement journal. Modify the employer notification letter to include the payroll disbursements journal, the	Management will create guidelines for auditors to assist them in identifying situations where a review of the payroll disbursements journal, cash disbursements journal and/or general ledger is indicated, and adjust the premium audit review process to monitor

Recommendation		Disposition
	cash disbursements journal and the general ledger, and revise audit procedures to provide additional guidance to the auditors on these items. Rating: Significant Weakness	adherence to guidelines. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process
4	Revise policies and procedures to provide additional guidance for the specific audit procedures to be performed when reviewing 1099s. Revise the premium audit shell to include a specific tab in which auditors should document their review of employer 1099 forms. Rating: Significant Weakness	Management will develop policies and procedures to guide auditors in making independent contractor decisions, and periodically revise the audit shell to support new policies and procedures. Responsible: Chief of Customer Services Target Resolution Date: January 2011 Current Resolution Status: In Process
5	Modify the random audit selection process to include all policies, regardless of premium level, or create a stratified random selection process which includes two strata: one for employers with greater than \$2,000 in premium, and one for those less than \$2,000. Rating: Significant Weakness	A random segment will be created in the FY 2011 premium audit plan for policies paying less than \$2,000 in premium. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process
6	Develop statewide policies regarding the scheduling and selection of employers for audit. Consider centralization of the scheduling function. Rating: Significant Weakness	Specific audit selections will be made through a centralized selection and scheduling process, which ensures the inclusion of policies at all premium levels in the FY 2011 premium audit plan. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process
7	Examine ways to expand the existing Ohio Department of Jobs and Family Services cross-match process to maximize the impact of this tool. Rating: Significant Weakness	Management will continue to look for ways to expand utilization of cross matches. Responsible: Chief of Customer Services Target Resolution Date: October 2011 Current Resolution Status: In Process
8	Revise premium audit procedures to bill employers not reporting the required minimum payroll amounts. Rating: Significant Weakness	Management will resume application of premium audit procedures for billing of employers not reporting or under-reporting payroll of active corporate officers. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process

Auditor Opinion

Overall, testing revealed a number of areas in which controls appeared adequately designed (i.e., tracking of scheduled audits, supervisor review procedures and posting of premium audit results to the Workers' Compensation Insurance System (WCIS)).

However, controls for ensuring adequate audit coverage of certain high-risk employer types (i.e., PEOs, employers reporting zero payroll that file claims, etc.) and certain payroll tie out procedures were not adequately designed. The audit identified a number of suggestions to improve audit coverage and ways to strengthen audit procedures. The audit identified 6 additional observations of minor significance.

Employer Rate Adjustment Audit – August 2010

IAD conducted an audit of the Employer Rate Adjustment process. The scope of this audit included manual claim cost adjustments and overrides of claim reserves and employer experience modifiers (EM). The purpose of the audit was to assist management in evaluating controls over the Employer Rate Adjustments process by:

- Determining if current internal controls are adequately designed and implemented;
- Verifying that manual claim cost adjustments and EM or reserve overrides are processed in accordance with BWC policy/procedures and statutory requirements;
- Evaluating whether the Rate Adjustment process is efficiently and effectively administered; and
- Providing recommendations to improve controls and reduce risks.

Recommendation		Disposition
1	Enhance controls around EM blocks to provide assurance that such transactions are valid and properly authorized. Restrict access to perform EM blocks to the Rate Adjustment Unit. Rating: Significant Weakness	Approval for EM blocks will be obtained from either the Director of Actuarial or Chief Actuarial Officer, documentation will be filed in the Universal Document Service (UDS), and blocks will be included in the monthly review process. Responsible: Chief of Actuarial Officer Target Resolution Date: August 2010 Current Resolution Status: In Process
2	Develop management reporting and quality assurance review procedures for changes to key demographic data that may impact reserves. Rating: Significant Weakness	Changes to key demographic data will be reported to management and included in the quality assurance review performed by the Adjustments Supervisor. Responsible: Chief of Actuarial Officer Target Resolution Date: August 2010 Current Resolution Status: In Process
3	Develop written procedures for the quality assurance review of adjustments in the Rates & Payments system. Rating: Significant Weakness	Written procedures for the quality assurance (QA) review of adjustments will be developed, including documentation of the items selected for examination. Responsible: Chief of Actuarial Officer Target Resolution Date: August 2010 Current Resolution Status: In Process

Recommendation		Disposition
4	Implement an independent reconciliation/review of EM overrides and blocks, which employs system reports encompassing the full population of transactions being reconciled. Rating: Significant Weakness	An independent reconciliation/review of EM overrides and blocks, including those for employer groups, will be established. Responsible: Chief of Actuarial Officer Target Resolution Date: August 2010 Current Resolution Status: In Process
5	Enforce the policy that EM Overrides be recorded only after obtaining the required authorization signatures. Rating: Significant Weakness	When signatures cannot be obtained prior to the posting of an EM override, a notice will be sent to authorizing staff which includes the justification for processing the override prior to obtaining signatures and impact if the override is not processed timely. Responsible: Chief of Actuarial Officer Target Resolution Date: August 2010 Current Resolution Status: In Process
6	Modify the report distribution procedures to ensure that the reports of employer rate adjustments and manual overrides are routed to key personnel on a regular basis. Rating: Significant Weakness	The override report is now being distributed via e-mail to the appropriate executive staff on a monthly basis. Responsible: Chief of Actuarial Officer Current Resolution Status: Implemented
7	Review the update access held by members of the Rate Adjustment Unit in all source systems and remove any access that is not required for their current duties. Rating: Significant Weakness	Management will review system profiles for all rate adjustment underwriters to identify update access that is no longer required and will request update access be removed in WCIS and Version 3 (V3). Responsible: Chief of Actuarial Officer Target Resolution Date: June 2010 Current Resolution Status: In Process

Auditor Opinion:

Overall, internal controls for the employer rate adjustments function were reasonably designed. However, our audit identified a number of areas in which controls could be strengthened or procedures improved to help ensure the validity and accuracy of manual adjustments and overrides.

Investment Personal Trading Policy (PTP) Audit – August 2010

IAD conducted an audit of the Investment PTP. The purpose of the audit was to assist management in evaluating the adequacy of the existing policy, processes, and controls, and assessing compliance with the Investment PTP.

Recommendation		Disposition
1	The Committee should develop detailed review procedures and provide necessary training to assist HR staff in	The Committee will provide periodic training to covered persons and the committee designated compliance review

Recommendation	Disposition
<p>identifying violations of prohibitions against transacting in Initial Public Offering (IPO) or securities on the restricted securities list. The Committee should also consider providing additional information to covered persons to assist them in maintaining compliance.</p> <p>Rating: Significant Weakness</p>	<p>person. Management will also enhance written procedures and provide periodic training to assist the review person in identifying violations. The Committee will generate a systemic list that generally covers potential vehicles that may mimic the restricted indices and IPO restrictions. However, the extent and completeness of this listing will be contingent upon an assessment of resources required to generate the listing in relation to management's perception of the likelihood and impact of PTP violations.</p> <p>Responsible: General Counsel and Chief Ethics Officer</p> <p>Target Resolution Date: December 2010</p> <p>Current Resolution Status: In Process</p>

Auditor Opinion

The PTP process does not represent a material exposure to BWC's overall operations given the Bureau's use of outside investment managers, limiting BWC staff's ability to influence specific investments made with BWC funds and access to information for their personal trades. Compliance testing did not identify material instances of non-compliance. However, internal controls to monitor PTP compliance are not adequately designed and operating to provide reasonable assurance that covered persons comply with the PTP.

Safety and Hygiene Audit – August 2010

IAD conducted an audit of the Division of Safety and Hygiene's (DSH) Public Employer Risk Reduction Program (PERRP), the safety council subsidy program, and the Safety Intervention Grant (SIG) program. The audit evaluated operations in place from July 2008 through December 2009 by:

- Evaluating whether controls are adequately designed and implemented;
- Verifying that the programs are administered in accordance with overall BWC policies, procedures, and statutory requirements;
- Evaluating if the programs are efficiently and effectively administered; and
- Providing recommendations to improve controls and reduce risks.

Recommendation	Disposition
<p>1 Investigate possible collaboration between departments providing safety consulting services. Consider pursuing statutory changes to permit PERRP to freely conduct enforcement investigations and compel compliance</p>	<p>Procedures will be developed to detail follow-up procedures emphasizing enforcement. PERRP management will present to BWC management considerations for pursuing statutory changes to solidify and enhance</p>

	Recommendation	Disposition
	with safety standards. Rating: Significant Weakness	enforcement activities. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
2	Develop and implement controls to ensure that PERRP jurisdiction over all complaints, reports of fatalities, multiple hospitalizations and refusals to work are properly determined and referred for appropriate enforcement action. Rating: Significant Weakness	PERRP will establish a review of determinations and enforcement actions on all correspondence to employees when the alleged complaint is not covered by Occupational Safety and Health Administration standards. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process
3	Educate public employers on death or inpatient hospitalization reporting requirements. Develop and implement policies and procedures to obtain detailed information of work-related incidents that identify incidents not reported by public employers. Rating: Significant Weakness	The Customer Services Division (CSD) claims staff will notify PERPP of public employee work-related fatalities as part of the instantaneous death notification checklist. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process
4	Develop and maintain an effective program of collection, compilation, and analysis of public employment risk reduction statistics. Rating: Significant Weakness	Management will take steps to inform public employers of reporting requirements, and evaluate if existing claims data might be used instead of, or in combination with form 300AP. Responsible: Chief of Customer Services Target Resolution Date: July 2011 Current Resolution Status: In Process
5	Develop and implement policies and procedures to confirm the attendance at safety council meetings. Rating: Significant Weakness	DSH will communicate to the BWC staff assigned to safety councils the expectation that each safety council meeting attended requires the submission of an evaluation form. DSH will utilize existing processes for sponsors to ensure 100% staff evaluation submission. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process
6	Automate the safety council subsidy calculation process or develop and implement review procedures to ensure that the calculation methodology and the data used are appropriate. Implement reconciliation procedures to ensure subsidies paid to safety councils are accurate and agree to the	CSD will reconcile budget reports with scheduled subsidy payments each quarter and will meet with Infrastructure and Technology (IT) to determine if there are any automation solutions available. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process

Recommendation		Disposition
	requisitions and contracts. Rating: Significant Weakness	
7	Generate management reports according to the schedule required by policy to identify non-complying SIG recipients in a timely manner and develop policies and procedures to resolve incidents of non-compliance. Rating: Significant Weakness	Management will adhere to the quarterly and monthly report schedules and define appropriate non-compliant SIG recipient resolution strategies. Responsible: Chief of Customer Services Target Resolution Date: August 2010 Current Resolution Status: In Process
8	Track the number of SIGs awarded for each type of intervention so that the Moratorium List may be systematically updated when sufficient research data has been gathered on a particular intervention. Rating: Significant Weakness	Management will track the number of SIG applications awarded for each type of intervention on a quarterly basis and will add interventions found to be less effective in improving safety on the Moratorium List. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process

Auditor Opinion

Overall, the SIG, PERRP and safety council subsidy programs represent complementary functions of the Bureau, and as such, do not represent material exposures to BWC in achieving primary objectives. Audit testing procedures did not identify material instances of non-compliance with statute, policy, or grant requirements but did identify opportunities to improve the design and implementation of controls.

SIG controls were designed adequately to ensure compliance with grant requirements; however, we noted that controls were not always implemented consistently.

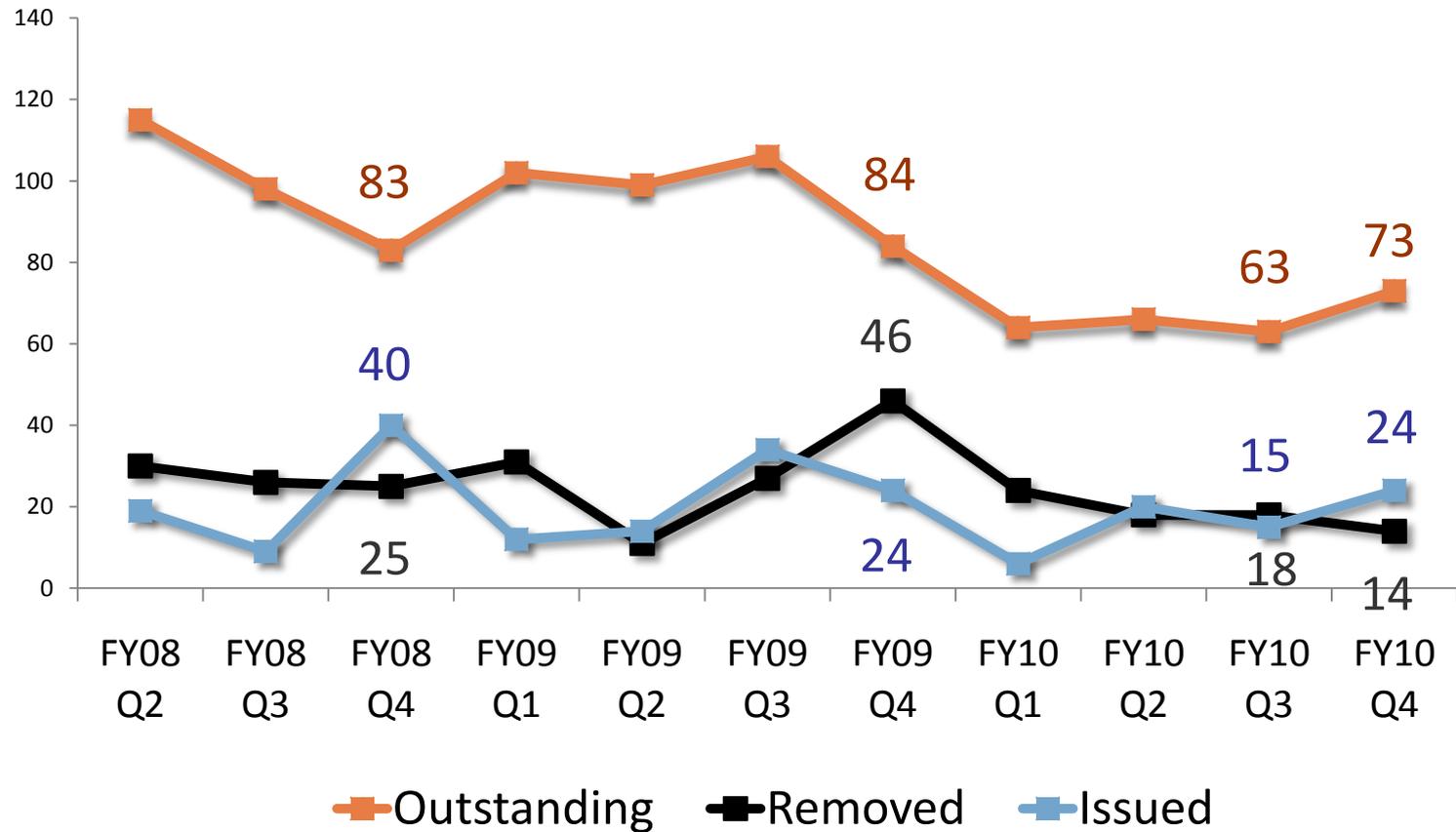
Internal controls for PERRP and safety council subsidy programs were not adequately designed to ensure that program objectives are met by providing reasonable assurance that external customers are compliant with reporting requirements, and that internal core processes function as intended.

The audit identified 4 additional observations of minor significance in which controls could be strengthened or procedures improved to help ensure the SIG, PERRP and safety council subsidy programs are efficient and effective.

BWC Internal Audit Division

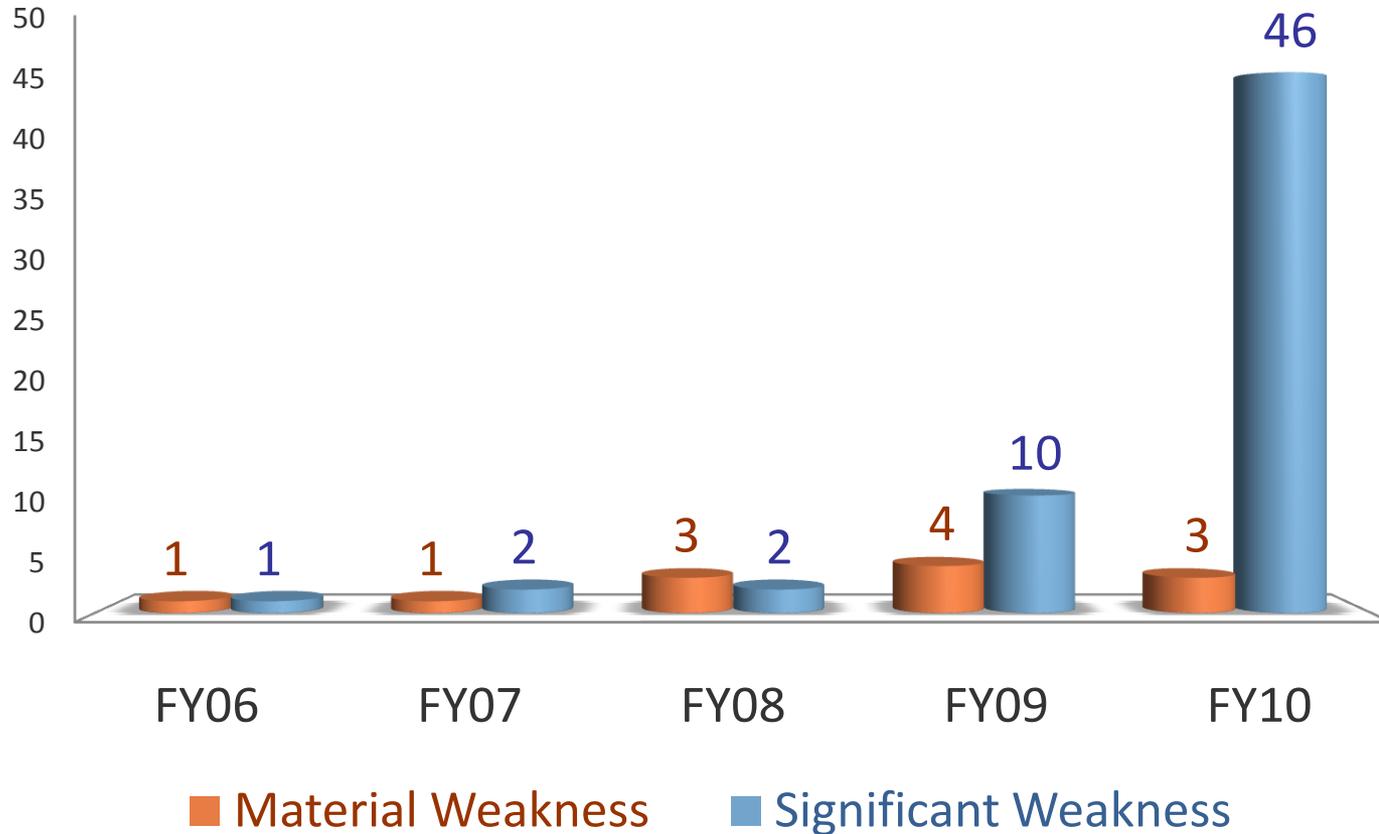
	FY10	FY10	FY10	FY10
	1st	2nd	3rd	4th
	Qtr	Qtr	Qtr	Qtr
Prior Total: Comments Outstanding	82	64	66	63
Plus: New Comments Issued	6	20	15	24
Minus: Comments Removed	-24	-18	-18	-14
New Total: Comments Outstanding	64	66	63	73
Material Weakness	14	14	15	12
Significant Weakness	50	52	48	61
New Total: Comments Outstanding	64	66	63	73

BWC Internal Audit Division



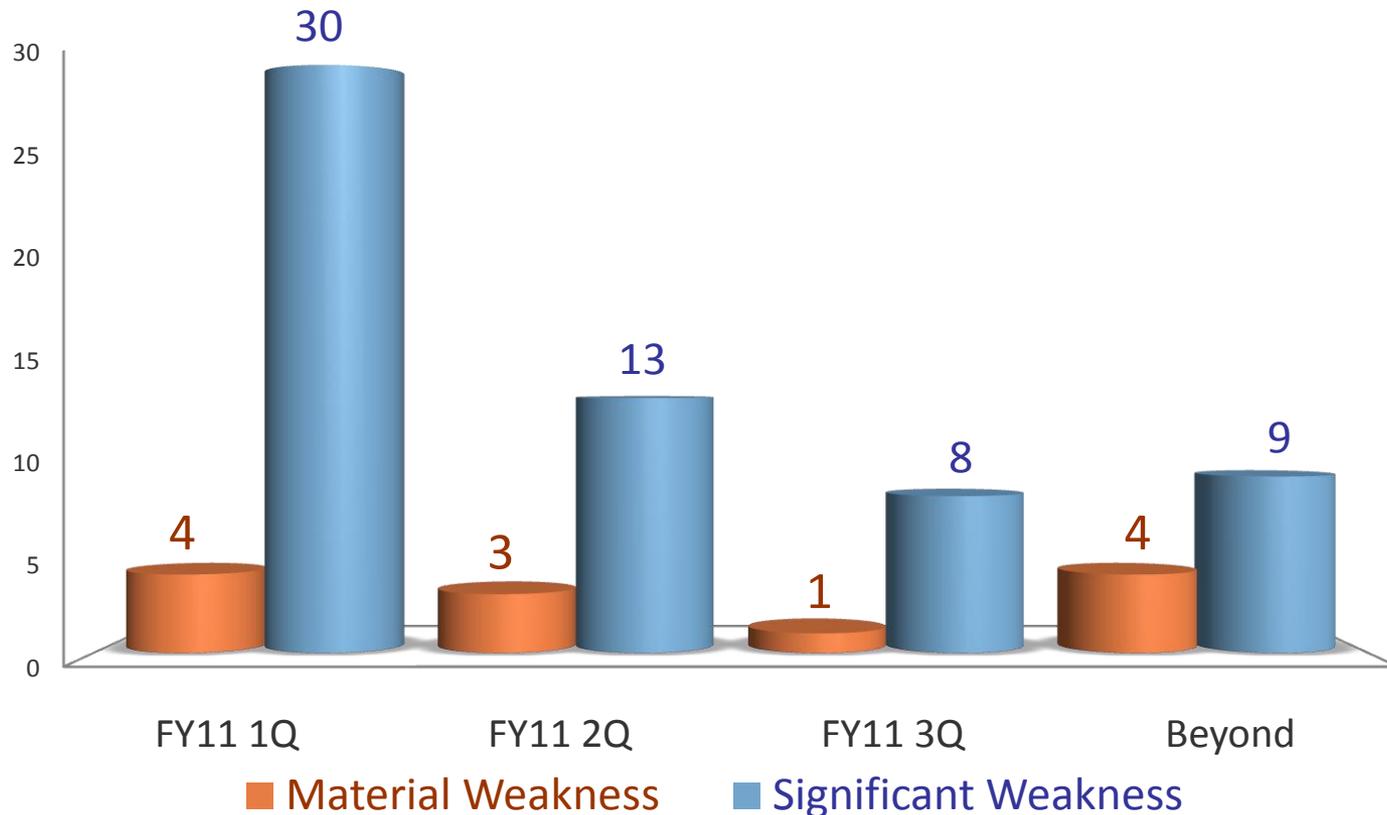
BWC Internal Audit Division

Outstanding Comments by Date Issued



BWC Internal Audit Division

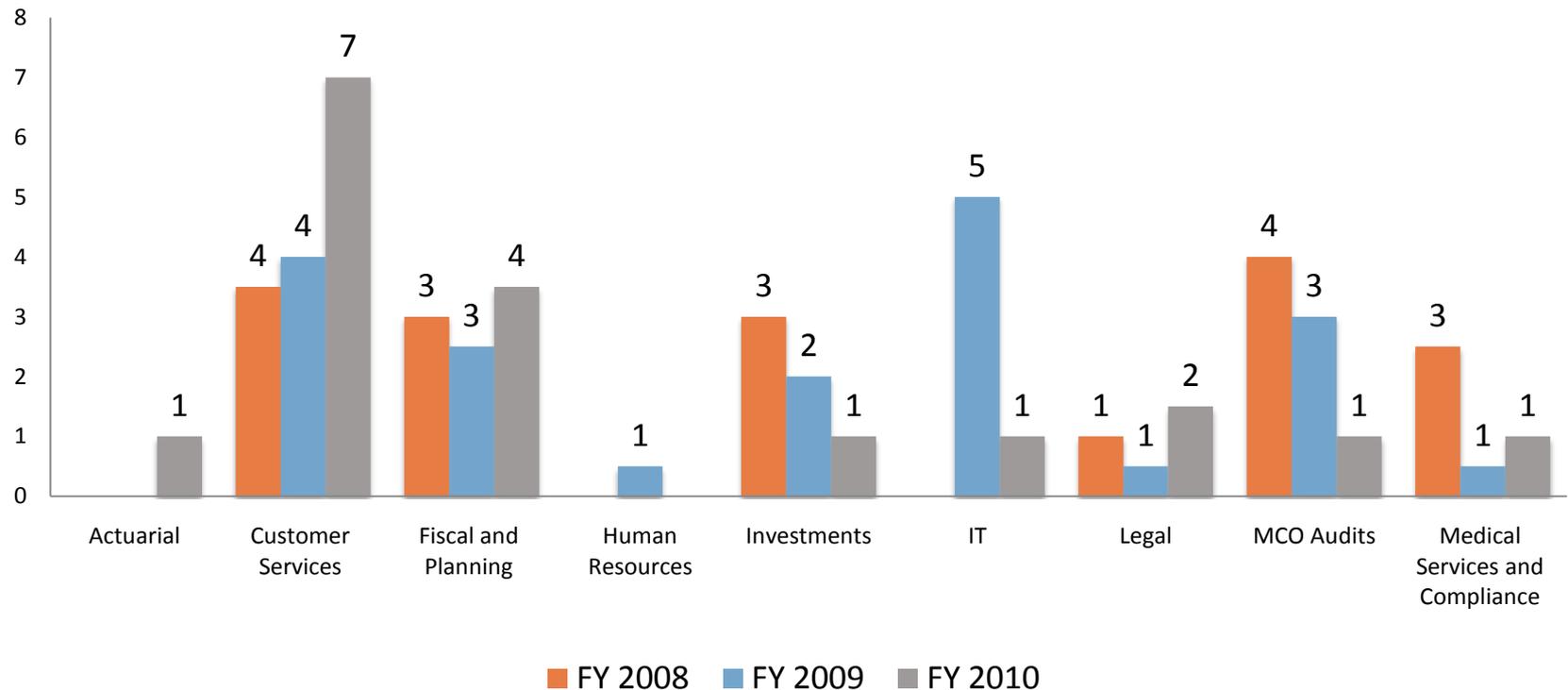
Validation schedule for remaining comments



Excludes one comment for which management accepts the risk.

BWC Internal Audit Division

Projects per Business Area



**BWC Internal Audit Division
Outstanding Audit Comments as of June 30, 2010**

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

Medical Billing and Adjustments – May 2006

Recommendation		Disposition
1	Consider converting all medical payments to the Cambridge system and prioritize the elimination of the Medical Invoice Information System. Rating: Significant Weakness	Information Technology (IT) is conducting a strategic inventory of the IT infrastructure. The analysis will be completed this year to determine the best direction for the multiple BWC systems. Responsible: Chief of Medical Services and Compliance, Chief Information Officer Target Resolution Date: June 2011 Previous Target Date(s): December 2007, June 2008 Current Resolution Status: In Process

Risk/ Employer Operational Review – June 2006

Recommendation		Disposition
1	Consider increasing either the Premium Security Deposit or Minimum Premium to compensate for potential losses incurred by BWC. Rating: Material Weakness	The Deloitte Study recommended examining the feasibility of raising the minimum premium, conducting further analysis of the characteristics of minimum premium employers, and increasing premium audit functions to address potential underreporting or fraud. Management will further analyze this issue and the problems inherent in the minimum premium employer population. Responsible: Chief Actuarial Officer Target Resolution Date: July 2011 Previous Target Date(s): December 2006, June 2007, December 2007, December 2008 Current Status: In Process

Manual Override – December 2006

Recommendation		Disposition
1	Resolve the current rating inequity between group rated and non-group	Rates implemented in July 2010 bring group premiums to a closer match with

Recommendation		Disposition
	<p>rated employers. Also, adopt standard controls to prevent rate manipulation by employer groups.</p> <p>Rating: Material Weakness</p>	<p>the costs they bring to the system, while non-group premiums are set at the appropriate level for their level of risk. We are still on course to implement a sustainable group rating program, priced correctly, in July 2012.</p> <p>Responsible: Chief Actuarial Officer Target Resolution Date: July 2012 Previous Target Date(s): January 2007, June 2007, July 2009, July 2011 Current Status: In Process</p>

Pharmacy Benefit Manager (PBM) Audit – May 2007

Recommendation		Disposition
1	<p>Develop and implement a plan to strengthen oversight and improve management of the program.</p> <p>Rating: Significant Weakness</p>	<p>BWC is utilizing the expertise of our PBM to assist in the review of our clinical program. A surveillance report on controlled substance utilization was recently submitted that BWC will use to target areas for improvement. BWC will also compare the BWC pharmacy program results with some of the key metrics published in Workers' Compensation pharmacy trends and statistics reports. Reports are being developed for on-going QA and monitoring.</p> <p>Responsible: Chief Medical Officer Target Resolution Date: September 2010 Previous Target Date(s): September 2007, December 2009 Current Status: In Process</p>
2	<p>Leverage services available by the vendor to enhance the likelihood that the goals and objectives of the PBM program will be achieved.</p> <p>Rating: Significant Weakness</p>	<p>BWC transitioned to a new vendor and implementation was completed in March 2010. Reports for service level agreements are substantially complete. The pharmacy department is analyzing the reports upon receipt and responding to the PBM accordingly.</p> <p>Responsible: Chief Medical Officer Target Resolution Date: April 2010 Previous Target Date(s): November 2007, March 2008, April 2008, August 2008, October 2009 Current Status: Implemented</p>

Vocational Rehabilitation Audit – October 2007

Recommendation		Disposition
1	<p>Implement a monthly process that requires Disability Management Coordinators (DMCs) to review costs associated with a sample of claims to determine reasonableness and appropriateness. DMC responses would be returned to Voc Policy for summarization and determination if further action is warranted.</p> <p>Rating: Material Weakness</p>	<p>Rehab Policy is creating a work flow for DMC review to determine reasonableness and appropriateness of voc services payments. This will be submitted to the Customer Services Regional Operations Managers for review. Training will then be provided.</p> <p>Responsible: Chief of Medical Services and Compliance, Chief of Customer Services</p> <p>Target Resolution Date: September 2010</p> <p>Previous Target Date(s): April 2008, June 2008, December 2008, April 2009, October 2009, December 2009, June 2010</p> <p>Current Resolution Status: In Process</p>
2	<p>Eliminate the potential conflict of interest created by Managed Care Organizations (MCO)s that refer vocational rehabilitation cases to their related companies.</p> <p>Rating: Material Weakness</p>	<p>Further analysis must be completed to determine if negative impacts are best addressed through provider metrics and MCO case assignment controls or assigning BWC DMCs to perform feasibility and case assignment. Implementation will commence following this determination.</p> <p>Responsible: Chief of Medical Services and Compliance</p> <p>Target Resolution Date: June 2011</p> <p>Previous Target Date(s): October 2008, January 2010, May 2010</p> <p>Current Resolution Status: In Process</p>
3	<p>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.</p> <p>Rating: Material Weakness</p>	<p>Rehab Policy has developed a process to analyze the data from RSC to determine the reasonableness and appropriateness of services for injured workers serviced under the RSC/BWC agreement. This analysis will occur on a quarterly basis. The new system to ensure only eligible injured workers are served under the agreement has been in place since March 2008.</p> <p>Responsible: Chief of Medical Services and Compliance</p> <p>Target Resolution Date: July 2010</p> <p>Previous Target Date(s): June 2008, October 2008, June 2009, January 2010</p> <p>Current Resolution Status: In Process</p>

Medical Bill Payment Process Audit – March 2008

Recommendation		Disposition
1	<p>Monitor and track the certification application process to verify all providers are routinely reapplying for certification and providing the Bureau with credentialing information. Rating: Significant Weakness</p>	<p>A provider recertification project plan has been developed. There are Provider Enrollment and Certification Housing enhancements required to fully implement this process systematically. This will be presented to the Project Governance Board for approval and prioritization. Provider Relations is addressing those areas of the process that are not dependent upon system resources. The target date has been modified due to IT resource constraints. Responsible: Chief of Medical Services and Compliance Target Resolution Date: January 2011 Previous Target Date(s): December 2008, June 2009, December 2009, September 2010 Current Resolution Status: In Process</p>

Subrogation Audit – May 2008

Recommendation		Disposition
1	<p>Collaborate with IT to explore potential system enhancements to better support the subrogation process. Rating: Significant Weakness</p>	<p>The BWC Project Governance Committee has approved the funds to update V3, starting in August 2010. Responsible: General Counsel & Chief Ethics Officer Target Resolution Date: July 2011 Previous Target Date(s): December 2009, July 2010 Current Resolution Status: In Process</p>

Lump Sum Settlement Process Audit – October 2008

Recommendation		Disposition
1	<p>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. Rating: Material Weakness</p>	<p>Phase I has been completed and implemented in April 2009. Phase II, which includes creating agency-wide measurables and objectives, will be trained in April 2010 with an effective date of July 2010. Phase III, which is pursuit of settlement and other tools, will not be implemented until at least July 2011. Responsible: Chief of Customer Services</p>

Recommendation		Disposition
		Target Resolution Date: July 2011 Previous Target Date(s): February 2009, January 2010, April 2010 Current Resolution Status: In Process
2	Conduct trending and analysis of settled claims to identify whether goals and objectives are being met. Expand management reporting to address analysis of performance with identified goals and objectives. Rating: Significant Weakness	Management reports were created to monitor the goals and objectives associated with Phase II. Training took place in April 2010 with an implementation date of July 2010. As Phase III is completed, other management reports will be created. Responsible: Chief of Customer Services Target Resolution Date: July 2011 Previous Target Date(s): June 2009, January 2010, April 2010 Current Resolution Status: In Process

Employer Policy Application Process Audit - March 2009

Recommendation		Disposition
1	Revise procedures to issue prior to coverage (PTC) payroll reports covering the entire period since employers first hired employees and came under obligation to obtain workers' compensation coverage. Rating: Significant Weakness	For PTC periods up to two years, testing is complete and the program is implemented. Payroll reports are generated and sent from WCIS for all applications dated 2008 to present. Older applications currently still require an audit request, as this was not part of the original IT request. The complexities of manual classifications that changed from rating year to rating year prior to 2008 will require extensive programming. The project request will be submitted by September 2010, and be subject to IT review and prioritization. Responsible: Chief of Customer Services Target Resolution Date: August 2011 Previous Target Date(s): July 2010 Current Resolution Status: In Process
2	Develop an electronic interface to eliminate the manual re-keying of data from online applications into the WCIS system and ensure the capture of all supplemental owner information. Rating: Significant Weakness	The IT Governance Committee approved the request for the project that will allow the capture of information entered online by the employer without the need to re-key the data. IT staff has begun working on the project. Finance has provided information and met with IT to assist with the systems analysis process. Responsible: Chief of Customer Services, Chief of Fiscal and Planning Target Resolution Date: January 2011

Recommendation		Disposition
		Current Resolution Status: In Process
3	<p>Design a mechanism for detecting policies finalized outside of UDS and subject them to formal quality assurance reviews.</p> <p>Rating: Significant Weakness</p>	<p>Project has been submitted through Demand Management and is awaiting assignment for resource estimation.</p> <p>Responsible: Chief of Customer Services</p> <p>Target Resolution Date: September 2010</p> <p>Previous Target Date(s): April 2010</p> <p>Current Resolution Status: In Process</p>

Auto Adjudication Audit (AA) - April 2009

Recommendation		Disposition
1	<p>Establish a process and/or decision making body to institute programmatic goals and performance measures. Assess the progress toward achieving those goals or identify issues for further investigation by utilizing existing Data Warehouse reports to support ongoing management and monitoring of manual activities performed in support of looping AA claims.</p> <p>Rating: Significant Weakness</p>	<p>With the advent of ICD-10 codes in 2013 management recognizes that numerous changes to BWC's auto adjudication system and management processes will need to occur. However until the full impacts of these changes are known it would not be an effective use of resources to make substantial changes at this time. In the interim however, management has issued a policy directive that no changes can be made to AA without the sign-off of the Chiefs of Customer Services and Medical Compliance.</p> <p>Responsible: Chief of Customer Services</p> <p>Target Resolution Date: June 2010</p> <p>Previous Target Date(s): December 2009</p> <p>Current Resolution Status: Not Implemented</p>

Change Management Audit - June 2009

Recommendation		Disposition
1	<p>Better communicate or define an emergency change and require service level agreements with the end-user community.</p> <p>Rating: Significant Weakness</p>	<p>An email documenting the appropriate use of Emergency changes was sent to IT operations supervisors to re-iterate what constitutes an emergency change. Key performance indicators relative to the use of emergency changes are now reviewed at the monthly Change Advisory Board meetings. The resource originally assigned responsibility for documenting a formal Service Level Agreement process is no longer in the department and the Service Management Office (SMO) manager in IT Strategy &</p>

Recommendation		Disposition
		Governance (ITSG) has assumed this responsibility. Responsible: Chief Information Officer Target Resolution Date: August 2010 Previous Target Date(s): November 2009, March 2010 Current Status: In Process
2	Enforce compliance with the prescribed change management processes, either through tool enhancements or management review of the change requests. Rating: Significant Weakness	A detailed plan to address this recommendation was completed in March 2010. Two different approaches have been identified, modifications to the existing change management process, or implementation of a purchased comprehensive software package that includes a change management process. At this time, the plan is to take the package approach pending approval for the expenditure. In the event that approval is not received, modifications to the existing change management application will be undertaken. Responsible: Chief Information Officer Target Resolution Date: June 2011 Previous Target Date(s): November 2009, March 2010 Current Status: In Process

Bankrupt Self Insured (BSI) Securitization Process Audit - June 2009

Recommendation		Disposition
1	Develop and implement all-inclusive policies and procedures for the BSI securitization process. Rating: Material Weakness	Draft policies have been created and are being assessed to determine if all risks and concerns have been sufficiently addressed. Pending the results of this evaluation, changes in IT functionality, and preliminary implementation feedback, policies and procedures will be finalized. Responsible: Chief of Customer Services, Chief of Fiscal and Planning Target Resolution Date: March 2011 Previous Target Date(s): December 2009, June 2010 Current Status: In Process

	Recommendation	Disposition
2	<p>Create a policy and process map that outlines routine collections efforts and certifies amounts past due to the Attorney General's Office, write-off accounts that are settled or uncollectible, and create a centralized system to track and retain documents pertaining to collections efforts.</p> <p>Rating: Material Weakness</p>	<p>A new collection policy was drafted and sent to Legal for concurrence. Law reviewed the policy and their comments were incorporated into the procedures.</p> <p>Responsible: Chief of Fiscal and Planning Target Resolution Date: December 2010 Previous Target Date(s): October 2009, December 2009, March 2010 Current Status: In Process</p>
3	<p>Implement adequate internal controls to help ensure that all BSI employers are referred to the Self Insured Review Panel and appropriate customer accounts are created. Accurately enter BSI employer information into the Rates and Payments System and the Bond Detail Report, and bill securities in a timely manner.</p> <p>Rating: Material Weakness</p>	<p>Based on security information provided by SIU, follow up with Legal is required.</p> <p>Responsible: Chief of Customer Services, Chief of Fiscal and Planning Target Resolution Date: August 2010 Previous Target Date(s): June 2009, December 2009, March 2010, June 2010 Current Status: In Process</p>
4	<p>Segregate the duties of requesting the security, receiving and recording the security, and having access to the security.</p> <p>Rating: Significant Weakness</p>	<p>Underwriting will finalize a written segregation of duties policy for securities. Any necessary modifications to the UDS workflow will be implemented as well.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: August 2010 Previous Target Date(s): June 2009, August 2009, January 2010 Current Status: In Process</p>
5	<p>Recover securities from the Treasurer of State's Office and store them in a central location, inventory all securities and maintain a complete list, and determine if any securities have been misplaced.</p> <p>Rating: Significant Weakness</p>	<p>The securities inventory has been compiled and is being maintained on an ongoing basis. Management is currently performing Quality Assurance procedures to ensure that the listing is accurate and complete.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: March 2011 Current Status: In Process</p>
6	<p>Work with IT to create a new system for tracking securitization balances or implement additional controls specific to the Microsoft Excel format.</p> <p>Rating: Significant Weakness</p>	<p>Management is consulting with IT on project scope and requirements.</p> <p>Responsible: Chief of Fiscal and Planning Target Resolution Date: March 2011 Previous Target Date(s): December 2009, May 2010 Current Status: In Process</p>

**Employer Workers' Compensation Insurance System (WCIS) Credit Transactions
Audit – January 2010**

Recommendation		Disposition
1	<p>Perform an examination of the existing processes for claim cost transfers and develop controls to provide assurance that such transfers only occur when valid and properly authorized. Rating: Material Weakness</p>	<p>Mapping and value streaming of “as is” processes are complete. New policies and procedures will be in place by the end of 2010. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process</p>
2	<p>Revise premium audit procedures to require copies of pertinent employer payroll records be obtained and included in audit workpapers. Rating: Significant Weakness</p>	<p>Management will identify the resource requirements to support records capture in some premium audit workpapers and will develop policies outlining the criteria for which audits will require supporting documentation. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Current Resolution Status: In Process</p>
3	<p>Revise premium audit policies and procedures to provide guidelines for a consistent estimated audit methodology. Rating: Significant Weakness</p>	<p>Management has developed policies and procedures for the performance and documentation of estimated audits. Estimated audits will be added into the review process in August 2010. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process</p>
4	<p>Revise the QA process for the “PA Adjustments” report so that all significant transactions are subject to independent review. Develop a QA review process for the transactions processed by the supervisor performing the weekly review of the report. Rating: Significant Weakness</p>	<p>Management has modified policies to ensure proper review of the “PA Adjustments” report, including documentation. Independent review of transactions processed by the reviewing Supervisor, however, has been delayed due to report issues. Responsible: Chief of Customer Services Target Resolution Date: October 2010 Previous Target Date(s): April 2010, June 2010 Current Resolution Status: In Process</p>
5	<p>Implement control procedures to provide additional assurance that the accounts to be written off are appropriate. Rating: Significant Weakness</p>	<p>Dollar volume of activity related to account write-offs has significantly decreased this current fiscal year. We are working with the AG to initiate write-offs of older accounts that need to be deemed uncollectible. The policies and procedures for completing this reconciliation will be in place prior to any increase in the volume of accounts being written off.</p>

Recommendation		Disposition
		Responsible: Chief of Fiscal and Planning Target Resolution Date: October 2010 Previous Target Date(s): April 2010 Current Resolution Status: In Process
6	Improve controls to provide assurance that only properly authorized safety council rebate and performance bonuses are issued. Rating: Significant Weakness	Management will update the safety council resolution process with IT in its 2010 rebate this July. Responsible: Chief of Customer Services Target Resolution Date: July 2010 Previous Target Date(s): January 2010 Current Resolution Status: In Process

Fixed Asset Audit – February 2010

Recommendation		Disposition
1	Develop written procedures for the physical inventory process and ensure that it is performed over a shorter timeframe. Develop formal, cross-functional investigative procedures for items not found during the inventory. Modify the reporting process of inventory results to improve transparency. Rating: Significant Weakness	The policy has been rewritten to include the investigative procedures for “not found assets.” This year’s annual inventory was conducted April 1 st through June 24 th . Asset Management reduced the physical inventory time by 60 days in FY10 vs. FY09. All results will be forwarded to the ITSG Director, SMO Manager, and Finance by the 15 th of July. All “not found” items will be forwarded to SIU 60 days after the lists are distributed to the IT departments for reconciliation. Responsible: Chief Information Officer Target Resolution Date: October 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process
2	Improve controls over inventory transfers. Create standard transfer documentation formats, implement a supervisory sign-off requirement for transfers, and formalize asset transfer policies in the BWC employee handbook. Rating: Significant Weakness	Currently two outstanding projects are pending for automating the Equipment Transfer Authorization form, and additional enhancements to the Oracle system. Once these projects have been completed Management will be able to communicate the new Fixed Asset Policy via BWCWeb and the employee handbook. Responsible: Chief Information Officer Target Resolution Date: September 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process
3	Modify the Oracle asset management system to comply with State policy or acquire another more capable application.	Management recently added an enhancement to the Oracle database which allows the preparation of the “gap report.” Additional enhancements to the

Recommendation		Disposition
	Rating: Significant Weakness	Oracle database have been identified and a project request has been submitted to address them. Responsible: Chief Information Officer Target Resolution Date: September 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process
4	Improve controls over component parts, including inventory records for all portable components over a given cost threshold, establish written policies and procedures, and improve data integrity controls. Rating: Significant Weakness	Liaisons for component parts have been designated from each of the Network, Facilities, and Service Center areas. Inventory Control has obtained access on their desktops to the network database. Procedures for tracking component parts and performing physical inventories will be written in August. Responsible: Chief Information Officer Target Resolution Date: October 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process
5	Develop written procedures for the QA reviews performed by the Inventory Control Officer that include a requirement to document the items selected for examination and a description of the minimum steps to be performed. Rating: Significant Weakness	Quality initiatives and reporting procedures have been written and referenced in the new Asset Management policy. Clarifications will be made regarding items sampled and minimum review steps. Responsible: Chief Information Officer Target Resolution Date: October 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process
6	Restrict access to furniture, equipment and supplies to individuals responsible for them. Take steps to ensure that furniture transfers are properly authorized, documented and tracked. Rating: Significant Weakness	ITSG/SMO is working with Finance to secure funding for Facilities to install security upgrades (keycard reader, etc.) for the furniture cage at MAFIL. Responsible: Chief Information Officer Target Resolution Date: January 2011 Previous Target Date(s): June 2010 Current Resolution Status: In Process
7	Restructure, or otherwise supplement, the Inventory Control Unit to provide for adequate segregation of duties and compliance with State policy. Rating: Significant Weakness	All hiring was postponed until further notice because of a walk-through and repurposing activity that the IT Directors are currently working on. Responsible: Chief Information Officer Target Resolution Date: August 2010 Previous Target Date(s): June 2010 Current Resolution Status: In Process

Death Benefits Audit – April 2010

Recommendation		Disposition
1	<p>Take steps to provide additional assurance regarding the accuracy of Average Weekly Wage (AWW) and benefit rate calculations in death claims. Rating: Material Weakness</p>	<p>Management has taken a number of steps to increase assurance regarding the accuracy of AWW and benefit rate calculations. Corrective actions include modifying the claim audit tool to require Injury Management Supervisors (IMS) to verify the accuracy of wage entry/calculation for each new death claim and conducting additional statewide training to all IMSs and Customer Service Specialists. Additionally, Field Operations will be adding a third level of review. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process</p>
2	<p>Modify the social security death cross-match to include death benefit recipients. Rating: Significant Weakness</p>	<p>A programming fix is not cost beneficial at this time. As a workaround, management will review existing reports quarterly and notify Field Operations of potential inappropriate payments to deceased death beneficiaries. Responsible: Chief of Customer Services Target Resolution Date: October 2010 Previous Target Date(s): January 2011 Current Resolution Status: In Process</p>
3	<p>Evaluate the cost vs. benefits of implementing an affidavit process (or other controls) to help prevent the issuance of lump sum advancements (LSA)s to individuals with terminal conditions. Ensure that advances are issued for purposes defined in the Ohio Revised Code, and that supporting documentation is appropriately submitted. Rating: Significant Weakness</p>	<p>Field Operations will work with Claims Policy to take steps that ensure advances are for needs as defined in the Ohio Revised code and that appropriate supporting documentation is submitted. Per Legal, BWC does not have the legal authority to mandate that a death dependent provide a medical affidavit in order to receive an LSA. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process</p>
4	<p>Revise death benefit policies to ensure benefits are appropriately reapportioned when dependants become ineligible. Rating: Significant Weakness</p>	<p>Management will work with Claims Policy to clarify policy to stipulate the necessary timeframe a dependent has to provide enrollment verification before BWC will reapportion their benefits to the remaining dependents. Responsible: Chief of Customer Services Target Resolution Date: September 2010 Current Resolution Status: In Process</p>

Self Insured Underwriting (SIU) Unit Audit – April 2010

Recommendation		Disposition
1	<p>Establish a process with adequate controls over decisions to grant Self Insured (SI) status or require securitization. Rating: Material Weakness</p>	<p>Management will develop and implement a policy that includes decision criteria for SI application approvals, letter of credit (LOC) requirements, a process for decision escalation, and establish separation of duties. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process</p>
2	<p>Develop and implement policies and procedures to ensure that only employers who meet SI eligibility requirements are able to obtain SI status. Rating: Significant Weakness</p>	<p>Management will document all substantive interpretations and applications of eligibility requirements in a policy statement and in process checklists. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process</p>
3	<p>Develop policies and procedures, reassign responsibilities, and work with IT to streamline the initial application processing procedures. Rating: Significant Weakness</p>	<p>Management will design an improved application process with a target of completing applications within 45 days of receipt. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process</p>
4	<p>Develop and implement review procedures for SI renewal applications to assess the financial strength and administrative ability of employers including a process for non-renewal. Rating: Significant Weakness</p>	<p>Management will draft and implement a policy for non-renewal actions, and will define consequences for non-compliance and lack of financial strength. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process</p>
5	<p>Develop and implement policies and procedures to identify SI employers that fail to submit the SI-40 report as required and estimate assessments for those that do not submit the report. Rating: Significant Weakness</p>	<p>Management will create procedures for SI-40 report monitoring, collection, and enforcement and will establish procedures to estimate paid compensation when not reported. Responsible: Chief of Customer Services Target Resolution Date: February 2011 Current Resolution Status: In Process</p>
6	<p>Explore potential system enhancements to better support the SIU unit's processes and determine if new SI employers without a predecessor policy should be charged the minimum New Employer Guaranty Fund assessment. Rating: Significant Weakness</p>	<p>Management will investigate causes and solutions for granting SI coverage to employers without preceding state fund policies. Controls to reconcile and update SI assessment databases will be evaluated and documented. Responsible: Chief of Customer Services Target Resolution Date: March 2011</p>

Recommendation		Disposition
		Current Resolution Status: In Process
7	Evaluate the appropriate assignment of responsibilities to ensure a proper segregation of duties between billing assessments, assembling and mailing assessment invoices, receiving payments from employers, and voiding late fees. Rating: Significant Weakness	Management will develop and implement a process that assigns the duties of billing via WCIS, mailing invoices, receiving payments, and voiding amounts to appropriate departments within BWC. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process
8	Develop and implement policies and procedures to define how to proceed when an LOC issuer notifies BWC of an election not to renew. Rating: Significant Weakness	Management will define and document the process how to proceed when a LOC issuer notifies BWC of an election not to renew, explore the feasibility of creating a centralized mechanism to track the status of LOCs, and evaluate the need to adjust the standard LOC language. Responsible: Chief of Customer Services Target Resolution Date: December 2010 Current Resolution Status: In Process

BWC Internal Audit Division Audit Report Follow-Up Procedures

The *International Professional Practices Framework* specifically addresses Resolution of Senior Management's Acceptance of Risks in Standard 2600. 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, and 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</u> likelihood 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 significantly delayed from the intended implementation date the comment may be elevated to a Material Weakness (pending circumstances).

BWC Internal Audit Division FY 2010 Annual Audit Plan

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

(Note: The above does not include IT audits to be performed by OBM.)

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

	3 rd Qtr FY 2010 Audit Plan
	Revised Audit Plan

BWC Internal Audit Division FY 2011 Annual Audit Plan

Focus Area	1 st Qtr.			2 nd Qtr.			3 rd Qtr.			4 th Qtr.			Audit Effort
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Temporary Total Disability Benefits													4
Employer Compliance Unit													4
Claims Quality Assurance Consulting Engagement													2
Professional Employment Organizations													5
Special Claims													4
Employer Refunds													3
Medical Services Compliance and Performance Monitoring Unit													5
Large Deductible Program													4
Sysco Reimbursements													2
New Claims Audit													4
Percentage Permanent Partial Disability													3
Pharmacy Benefit Program													5
MCO Administrative and Incentive Payments													4
FY 2012 Audit Plan													3
External Audit Assistance													5
MCO Audits													5
Investment Continuous Compliance Monitoring Efforts													5
Audit Validation Testing													5

(Note: The above does not include IT audits to be performed by OBM.)

Audit Effort Explanations

Number	Level of Audit Effort	Hours
1	Extra Small	< 100 hours
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5	Extra Large	801 - 1200 hours

 Original Audit Plan
 Revised Audit Plan

BWC Internal Audit Division

QES Acronyms

Acronym	Description
AA	Auto Adjudication
AWW	Average Weekly Wage
BSI	Bankrupt Self Insured
BWC	Bureau of Workers' Compensation
CSD	Customer Services Division
DSH	Division of Safety and Hygiene
DMC	Disability Management Coordinators
DWRF	Disabled Workers' Relief Fund
EM	Experience Modifier
FY	Fiscal Year
IPO	Initial Public Offering
IAD	Internal Audit Division
IMS	Injury Management Supervisor
IT	Information Technology
ITSG	IT Strategy & Governance
LOC	Letter of Credit
LSA	Lump Sum Advancement
MCO	Managed Care Organization
PEO	Professional Employment Organization
PERRP	Public Employer Risk Reduction Program
PBM	Pharmacy Benefit Management
PTC	Prior to Coverage
PTP	Investment Personal Trading Policy
QA	Quality Assurance
QES	Quarterly Executive Summary
RSC	Rehabilitation Services Commission
SI	Self Insured
SIG	Safety Intervention Grant
SIU	Self Insured Underwriting
SMO	Service Management Office

Acronym	Description
UDS	Universal Document Service
V3	Version 3 (BWC's Claims Management System)
WCIS	Workers' Compensation Insurance System



Internal Audit Open Discussion As of September 9, 2010

Audit Plan

Planning Phase:

- Managed Care Operations
- Audit Validation for 1st Quarter FY 2011
- Investment Request For Proposal Compliance Review

Fieldwork Phase:

- Claims Quality Assurance Engagement
- Employer Compliance
- External Audit Support
- Special Claims Audit
- Temporary Total

Final Phase:

- Disabled Workers' Relief Fund

Postponed:

- New Claims Audit

Completed:

- Audit Validation for 4th Quarter FY2010

Special Projects

- Audit Standards Training
- Enterprise Risk Management

Staff Adequacy

Other

12-Month Audit Committee Calendar

Date	September 2010
9/23/2010	1. Internal Audit QES Review
	2. Inspector General Semi-Annual Report (Executive Session)
	October 2010
10/21/2010	1. Audit Committee Charter Review (1 st Reading)
	2. Internal Audit Annual Accomplishments Report
	3. Quarterly Litigation Update (Executive Session)
	November 2010
11/18/2010	1. External Audit Update
	2. Audit Committee Charter Review (2 nd Reading)
	December 2010
12/15/2010	1. Internal Audit QES Review
	2. Office of Budget and Management Update – BWC Staff Transfer
	January 2011
1/20/2011	1. Annual Disaster Recovery/Business Continuity Plan
	2. External Audit Comments - Update
	3. Quarterly Litigation Update (Executive Session)
	February 2011
2/23/2011	1. Inspector General Annual Report (Executive Session)
	March 2011
3/24/2011	1. Internal Audit QES Review
	2. Discount Rate and Financial Metrics (1 st Reading)
	April 2011
4/28/2011	1. Discussion of External Audit
	2. Discount Rate and Financial Metrics (2 nd Reading)
	3. FY 2012 Administrative Budget (1 st Reading)
	4. Quarterly Litigation Update
	May 2011
5/26/2011	1. FY 2012 Administrative Budget (2 nd Reading)
	2. Internal Audit Charter
	June 2011
6/15/2011	1. FY 2012 Internal Audit Plan
	2. External Audit Update
	July 2011
7/28/2011	1. Internal Audit QES Review
	2. FY 2012 Financial Projections
	3. Quarterly Litigation Update (Executive Session)

12-Month Audit Committee Calendar

8/25/2011	August 2011
	1. BWC Code of Ethics Review
	2. External Audit Update