

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4125-1-02

Rule Review

1. The rule is needed to implement an underlying statute.

Citation: R.C. 4121.31

2. The rule achieves an Ohio specific public policy goal.

What goal(s): The rule outline the criteria and procedures under which BWC and the IC will accept electronic submission of documents.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: BWC worked with the Industrial Commission and the Industrial Commission rule advisory committee on this rule. The IC rule advisory committee consists of labor, injured worker, state fund, and self-insured employer representatives.

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost?

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor’s Executive Order.

Executive Summary
Five-Year Rule Review
Rule 4125-1-02: Electronic submission and acceptance of documents

Introduction

Rule 4125-1-02 of the Administrative Code is a joint rule of the Industrial Commission and Bureau of Workers' Compensation relating to the electronic submission and acceptance of documents.

Five-Year Rule Review

Pursuant to R.C. 119.032, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The statute requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. Rule 4125-1-02 is a joint rule with the Industrial Commission. The rule was scheduled for five year rule review on February 1, 2007. BWC and the IC last performed a five year rule review of the rule in 2002.

Background Law

Under sections 4121.30 and 4121.31 of the Revised Code, the IC and BWC are authorized to adopt joint rules. Section 4121.30(A) states that "the administrator of workers' compensation and commission shall proceed jointly, in accordance with Chapter 119. of the Revised Code, including a joint hearing, to adopt joint rules governing the operating procedures of the bureau and commission."

R.C. 4121.31(A)(4) provides that the administrator and the industrial commission jointly shall adopt:

- (4) Rules governing the submission and sending of applications, notices, evidence, and other documents by electronic means. The rules shall provide that where this chapter or Chapter 4123., 4127., or 4131. of the Revised Code requires that a document be in writing or requires a signature, the administrator and the commission, to the extent of their respective jurisdictions, may approve of and provide for the electronic submission and sending of those documents, and the use of an electronic signature on those documents.

Accordingly, the IC and BWC jointly adopted rule 4125-1-02, Electronic submission and acceptance of documents, effective October 1, 2000.

Rule Changes

The IC recently voted to retain this rule without changes. BWC concurs in this assessment, and recommends no changes in this rule. There have not been any significant issues with the rule since its enactment. The IC and BWC would not be precluded from revisiting the rule in the future for possible changes, but at this point in the rule review process the IC and BWC agree that the rule is acceptable as currently adopted.

4125-1-02 Electronic submission and acceptance of documents.

(A) As used in this rule:

(1) "Bureau" means the bureau of workers' compensation and the authority vested in the administrator of workers' compensation.

(2) "Commission" means the industrial commission.

(3) "Electronic" includes electrical, digital, magnetic, wireless, optical, electromagnetic, facsimile or any other form of technology that entails capabilities similar to these technologies.

(4) "Electronic record" means a record generated, communicated, received, or stored by electronic means for use in an information system or for transmission from one information system to another.

(5) "Electronic signature" means a signature in electronic form attached to or logically associated with an electronic record.

(6) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, governmental agency, public corporation, or any other legal or commercial entity.

(7) "Health care provider" or "provider" has the same meaning set forth in rule 4123-6-01 of the Administrative Code.

(8) "Managed care organization" or "MCO" has the same meaning set forth in rule 4123-6-01 of the Administrative Code.

(9) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form including, but not limited, to applications, notices, evidence, or other documents.

(10) "Approved electronic information system" means the system designated by the commission or bureau for submission of electronic records. All electronic submissions are subject to data validation criteria as determined by the commission or bureau.

(B) Where a statute in Chapter 4121., 4123., 4127., or 4131. of the Revised Code or a rule in Chapter 4121., 4123., 4125., 4127. or 4131. of the Administrative Code, requires that applications, notices, evidence, and other documents, be in writing or requires a signature, the commission or bureau may, to the extent of their respective jurisdictions, approve of and provide for the electronic submission and sending of those documents, and the use of an electronic signature on those documents.

(C) For purposes of authentication, a person wishing to file certain electronic records shall obtain an identification number or other approved identification recognized by the commission or bureau.

(D) All electronic records received by the commission or bureau must be authenticated by the sending person's or provider's unique electronic signature or its equivalent as

deemed appropriate by the commission or bureau. If the person or provider fails to authenticate the electronic record with the electronic signature or its equivalent as deemed appropriate by the commission or bureau, the commission or bureau may disregard such record in rendering a decision, determination, or order to which the record would otherwise be relevant.

(E) If the commission or bureau finds that any electronic record received is unintelligible, incomplete, or in any manner illegible or incomprehensible, or, if the record fails to comply with paragraph (A)(10) of this rule, the commission or bureau shall make a reasonable attempt to contact the sender to correct the deficiency of the electronic record. If the commission or bureau is unable to contact the sender or the sender is unable to correct the deficiency of the electronic record, the commission or bureau may disregard the electronic record or evidence in rendering a decision, determination, or order to which the record or evidence would otherwise be relevant.

(F) To be accepted as timely filed or received, a record which is submitted electronically must:

(1) Be received by an electronic device, or at an electronic address designated by the commission or bureau as being appropriate for the intended purpose, and

(2) Be confirmed by the commission or bureau to have been received within the prescribed time frames of statutes or administrative rules.

(G) Electronic records not received by the commission or bureau during regular business hours, will be considered received and filed on the next business day.

(H) The electronic submission of applications, notices, evidence, or other documents is deemed equivalent to the submission of the original document.

(I) The electronic submission of documents to the commission or bureau is not required. A person may continue to submit non-electronic documents to the commission or bureau.

(J) The provisions of this rule notwithstanding, electronic submission and acceptance of documents by MCOS will continue to be governed by the MCO contract. To the extent this rule conflicts with any provisions of the MCO contract or the rules of Chapter 4123-6 of the Administrative Code, the MCO contract or rules of Chapter 4123-6 of the Administrative Code are controlling.

R.C. 119.032 review dates: 11/08/2002 and 02/01/2007

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.30, 4121.31, 4123.05

Rule Amplifies: 4121.31, 4123.511, 4123.52, 4123.84

Prior Effective Dates: 10/1/2000

Reserve Discount Rate Recommendation

The Reserve Discount Rate Policy approved by the Board in February 2009 contained a series of steps, listed below, for the Administrator to complete as he considers his recommendation/conclusion. The Administrator recommends a maintaining a 4% discount rate to be adopted for fiscal year end 2011.

Policy Documentation

The Administrator met with senior executives on March 15, 2011, and followed the Actuarial Standard of Practice #20 and the Government Accounting Standards Board (GASB) Statement 10.

Following BWC Board policy, the Administrator considered the following questions.

- *Is the proposed discount rate consistent with BWC's practice of establishing a conservative discount rate?*

Yes. Table 1 shows a slow yet steady decline in our discount rate that reflects the slow yet steady decline in the yields of "risk free" investments.

TABLE 1

Fiscal Year	Discount Rate (FY)	Fiscal Year	Discount Rate (FY)
1996	7.0	2005	5.50
1997	6.75	2006	5.25
1998	7.00/6.75	2007	5.25
1999	6.50	2008	5.00
2000	6.25	2009	4.50
2001	6.00	2010	4.00
2002	6.00	Arithmetic Averages	
2003	5.80	2006-2010 (5 years)	4.8
2004	5.50	2001-2010 (10 years)	5.28

- *Is the proposed discount rate consistent with industry standards?*

Yes. Mercer has informed us that many entities select their discount rate based on the yields of a 10 year Treasury and the 10 year "AA" corporate bond. BWC's discount rate of 4% compares to the following workers' compensation insurance funds:

- West Virginia Employers' Mutual Insurance did not discount their liabilities for unpaid losses and unpaid loss adjustment expenses in 2009.
- New York State Insurance Fund discounted all loss and loss adjustment expenses at a rate of 5% in 2009.

- WorkCovers South Australia used an average rate of 5.39% to discount outstanding claims liabilities at June 30, 2010.
- The State of Washington’s monopolistic state insurance fund used a discount rate of 2.5% for their accident and medical aid fund and 6.5% for their pension funds as of June 30, 2010.
- WorkSafe British Columbia used a net discount rate of 3% for all benefit liabilities in 2009.
- Pinnacol Insurance in Colorado discounted liabilities for unpaid losses for certain long-term scheduled payments using a 3.5% discount rate in 2009.

- *Is there a decreasing or increasing return on BWC’s investment portfolio?*

Table 2 indicates State Insurance Fund (SIF) annual returns over a ten year period. While there are year-over-year fluctuations, the five and ten year investment average returns are higher than average Treasury yields. BWC average returns for the ten year period are below corporate bond yields. (See Summary Table). Investment returns should exceed the discount rate. SIF investment returns exceeded the discount rate in 7 of the past 10 years.

TABLE 2

Calendar Year	BWC SIF Investment Returns
2001	-3.1%
2002	-4.7%
2003	14.4%
2004	7.3%
2005	6.3%
2006	6.3%
2007	6.6%
2008	-2.3%
2009	8.7%
2010	10.5%
Arithmetic Averages	
2006-2010 (5 yr)	5.96%
2001-2010 (10 yr)	5.00%

- *Are there changes in BWC’s investment strategy?*

The SIF targeted asset class mandate weightings per BWC’s Investment Policy Statement were achieved in December 2009. Also please review the attached March 8, 2011 memo from Bruce Dunn.

- *What are the trends of risk free investment yields?*

While the GASB and the Actuarial Standards don't specifically define "risk free" yields, many practitioners in the field use the "AA" corporate bond yield or the 10 year Treasury yield. The trends in these yields are shown below. The five year average yields are consistently lower than the 10 year average yields for Treasuries. See Table 3.

TABLE 3

Calendar Year	"AA" Corporate Bonds		Treasuries	
	10-15 years	15+ years	10 year	20 year
2001	6.47	7.04	5.02	5.63
2002	5.93	6.73	4.61	5.43
2003	4.97	5.84	4.02	4.96
2004	5.15	5.87	4.27	5.05
2005	5.16	5.69	4.29	4.65
2006	5.82	6.07	4.79	4.99
2007	5.89	6.23	4.63	4.91
2008	6.27	6.79	3.67	4.36
2009	6.32	6.33	3.29	4.12
2010	5.00	5.22	3.13	4.14
Arithmetic Averages				
2006–2010 (5 yr)	5.86	6.13	3.90	4.51
2001-2010 (10 yr)	5.70	6.18	4.17	4.82

Bond yields are month-end averages for each calendar year.

- *Do we anticipate changes in the financial markets?*

The following is an excerpt of the March 8, 2011 CIO report to the Administrator.

“Based on the most recently published Mercer Consulting Capital Market Outlook report dated January 2011, an exercise of calculating expected future rates of return can be made on both the current SIF fixed income portfolio and the current SIF total portfolio with respect to targeted asset mandate weightings per the current investment policy targets for SIF. These asset class mandate weightings were achieved by the BWC investment staff in December 2009 with the completion of certain portfolio transition activities. This asset allocation weighting is broadly a 70% fixed income and 30% equity mix. These calculations reflect the current expected future **twenty-year** rate of return (ROR) assumptions of each asset class Mercer provides in this referenced Capital Market Outlook report relevant to the SIF portfolio. The Mercer twenty-year SIF fixed income portfolio expected average annual future rate of return based simply on the target weights of the current SIF fixed income portfolio asset classes is **4.74%** comprised as follows: 28% long credit bonds @ 5.6% ROR; 17% TIPS @ 3.9% ROR; 15% U.S. Aggregate index bonds @ 4.5% ROR; 9% long U.S. government bonds @ 4.2% ROR; and 1% cash at 3.1%

ROR. When the 30% weighted allocation for public equities @ 8.07% ROR (7.9% ROR for All Cap U.S. Equities weighted at 20% and 8.4% ROR for All Cap non-U.S. equities weighted at 10%) are included and added (future possible alternative investment asset classes such as real estate ignored for this calculation), the total SIF portfolio expected average annual return increases to **5.74%** or exactly 1% higher than the expected fixed income portfolio return only. Although these projected theoretical rates of returns are certainly not risk-free, the premise can be made that they can be considered as reasonable expected annual returns over a long period of ten years or more for the current asset allocation targets of the SIF portfolio.”

It should also be noted that the twenty-year expected SIF fixed income portfolio return has decreased from 5.22% one year ago compared to 4.74% resulting from current market assumptions made by Mercer.

Summary Table

Calendar Year	“AA” Corporate Bonds		Treasuries		BWC SIF* Investment Returns	Discount Rate (applied FY)
	10-15 years	15 + years	10 yr.	20 yr.		
1996	6.93	7.66	6.44	6.82	8.8	7.00
1997**	7.05	7.51	6.35	6.68	19.4	7.00/6.75
1998**	6.39	6.84	5.26	5.72	12.8	6.75/6.50
1999**	7.00	7.27	5.64	6.19	9.9	6.50
2000**	7.53	7.83	6.03	6.23	5.8	6.25
2001**	6.47	7.04	5.02	5.63	-3.1	6.00
2002**	5.93	6.73	4.61	5.43	-4.7	6.00
2003**	4.97	5.84	4.02	4.96	14.4	5.80
2004**	5.15	5.87	4.27	5.05	7.3	5.50
2005**	5.16	5.69	4.29	4.65	6.3	5.50
2006	5.82	6.07	4.79	4.99	6.3	5.25
2007	5.89	6.23	4.63	4.91	6.6	5.25
2008	6.27	6.79	3.67	4.36	-2.3	5.00
2009	6.32	6.33	3.29	4.12	8.7	4.50
2010	5.00	5.22	3.13	4.14	10.5	4.00
Arithmetic Averages						
5 year 2006-2010	5.86	6.13	3.90	4.51	5.96	5.10
10 year 2001-2010	5.70	6.18	4.17	4.82	5.00	5.50

* Calendar Year returns for State Insurance Fund only. Specialty Funds not included.

** Dividends rebates paid from SIF to employers

TO: Stephen Buehrer, Administrator/CEO

FROM: Bruce Dunn, CFA, Chief Investment Officer

DATE: March 8, 2011

SUBJECT: **CIO Discount Rate Setting Comments**
State Insurance Fund
Fiscal Year 2012

[**Introductory Note:** Historical State Insurance Fund portfolio performance and selected bond yield averages over each of the past ten years were recently provided to the BWC Fiscal & Planning Division for the purposes of producing summary information useful for discount rate setting discussions and determination.]

The State Insurance Fund (SIF) portfolio has earned an average per annum total return of **5.00%** over the past ten-year calendar period 2001-2010 and **5.96%** over the past five-year calendar period 2006-2010. The ten-year average annual yield for 10-year maturity Treasuries over the ten-year calendar period 2001-2010 is 4.17%. The five-year average annual return of 10-year maturity Treasuries over calendar years 2006-2010 is 3.90% which is similar to but yet lower than its ten-year average annual yield of 4.17%. Deloitte Consulting has previously suggested focusing on a 10-year U.S. Treasury yield as the risk-free yield. As a matter of information, the yield of the current market 10-year Treasury note at the time of this writing was 3.55%. This current yield level for the 10-year Treasury note is comparable to its level in early March of last year when the SIF discount rate was recommended to be lowered to 4.0% from 4.5%. Only if one adopts a long-term time frame of ten years can an investor essentially be assured of earning the yield currently available from a 10-year maturity Treasury. If yield levels on 10-year Treasuries at current levels move up even modestly higher (30-40 basis points per year) for several years, then 10-year Treasuries could produce a negative return over that time period. Some investors consider a 3-month Treasury bill to be a true risk-free yield and that instrument is currently yielding an extremely low 0.10% at this time.

Based on the most recently published Mercer Consulting Capital Market Outlook report dated January 2011, an exercise of calculating expected future rates of return can be made on both the current SIF fixed income portfolio and the current SIF total portfolio with respect to targeted asset mandate weightings per the current investment policy targets for SIF. These asset class mandate weightings were achieved by the BWC investment staff in December 2009 with the completion of certain portfolio transition activities. This asset allocation weighting is broadly a 70% fixed income and 30% equity mix. These calculations reflect the current expected future **twenty-year** rate of return (ROR) assumptions of each asset class Mercer provides in this referenced Capital Market Outlook report relevant to the SIF portfolio. The Mercer twenty-year SIF fixed income

portfolio expected average annual future rate of return based simply on the target weights of the current SIF fixed income portfolio asset classes is **4.74%** comprised as follows: 28% long credit bonds @ 5.6% ROR; 17% TIPS @ 3.9% ROR; 15% U.S. Aggregate index bonds @ 4.5% ROR; 9% long U.S. government bonds @ 4.2% ROR; and 1% cash at 3.1% ROR. When the 30% weighted allocation for public equities @ 8.07% ROR (7.9% ROR for All Cap U.S. Equities weighted at 20% and 8.4% ROR for All Cap non-U.S. equities weighted at 10%) are included and added (future possible alternative investment asset classes such as real estate ignored for this calculation), the total SIF portfolio expected average annual return increases to **5.74%** or exactly 1% higher than the expected fixed income portfolio return only. Although these projected theoretical rates of returns are certainly not risk-free, the premise can be made that they can be considered as reasonable expected annual returns over a long period of ten years or more for the current asset allocation targets of the SIF portfolio.

Given all of the above historical, current and projected information on yields and portfolio returns, the CIO would support no change in the discount rate for fiscal 2012 from its current level of 4.0%. This current discount rate level is reflective of the combination of the actual level of the average ten-year maturity Treasury yield levels over each of the past five-year and ten-year periods ending 2010, balanced with narrowing credit bond yield spreads above Treasuries occurring over the past several years that the SIF portfolio is now earning. As reflective of this trend, Mercer has lowered its twenty-year expected annual rate of return assumptions on the SIF fixed income asset classes by a weighted average of approximately 0.50% from one year ago when the Mercer SIF twenty-year expected fixed income portfolio return was 5.22% compared to 4.74% resulting from its current market assumptions.

Ohio Bureau of Workers' Compensation

Financial Performance Metrics

Introduction

The Monthly Board Financial Reporting Package presents financial results for the current period, projected results, and prior year results. In addition to looking at the raw numbers, ratios are calculated and used to analyze BWC's performance and soundness. These ratios are presented for the current fiscal year to date, projected year to date, prior fiscal year to date, fiscal year-end forecast, and the last five fiscal year ends.

The ratios enable BWC to benchmark against our peers in the workers' compensation industry. BWC's insurance ratios have been calculated using information contained in BWC's audited financial statements prepared in accordance with generally accepted accounting principles (GAAP). Most private insurance carriers and many state insurance funds prepare financial statements on a statutory accounting basis (STAT). Comparisons of BWC's ratios to industry performance will not be a true apples-to-apples comparison. Major differences will be caused by the following:

- BWC discounts all reserves for compensation and compensation adjustment expenses while most insurance carriers either do not discount their reserves or discount on a very limited basis.
- BWC's investments are reported at fair value, with the change in fair value reported as an unrealized gain or loss in the Statement of Operations. Under STAT bonds are normally reported at amortized cost in the balance sheet, while stocks are reported at values published by the NAIC, which are generally fair values through a charge to statutory surplus in the balance sheet.
- BWC's exclusive state fund status provides BWC an advantage in that there are no commission, brokerage, or income tax expenses.
- BWC establishes rates at the lowest level possible in order to maintain a solvent State Insurance Fund. This is in contrast to private insurance carriers who must maintain surplus at levels established by state departments of insurance.
- Unlike private insurance carriers, BWC has a separate assessment for administrative costs. The administrative cost assessment is calculated on a pay-as-you-go basis, while liabilities are recognized as incurred. Consequently, the incurred compensation adjustment expenses are not fully funded, however the full liability is recorded on our balance sheet.

BWC has obtained data from A.M. Best, a widely recognized rating agency dedicated to the insurance industry, from Ward Group, a widely recognized provider of insurance industry benchmarking, best practices and research studies, and from state fund financial statements. BWC will utilize data from the state funds in California, New York and Washington, the A.M. Best Composite which consists of groups and companies for which more than 50% of their business is in the workers' compensation line, and six of the largest private workers' compensation carriers in evaluating and establishing targets for the next fiscal year.

Ohio Bureau of Workers' Compensation Financial Performance Metrics

Funding Ratio (State Insurance Fund)

Definition: Provides an indication of financial strength and security by evaluating a company's funded assets in relation to its funded liabilities.

Calculation:

$$\frac{\text{Funded Assets}}{\text{Funded Liabilities}}$$

- Funded Assets = cash, investments and current receivables less deposits and current payables
- Funded Liabilities = Reserves for funded unpaid claims and funded claim expenses (HPP on PA/PEC), excluding any risk margin, discounted at a risk free discount rate.

Importance: A quick financial soundness measure to show to what degree assets exceed liabilities. This is not commonly used in private industry.

Net Leverage Ratio (State Insurance Fund)

Definition: Measures an entity's exposure to pricing errors and errors in estimating its liabilities in relation to net assets. Premium income and reserves for compensation and compensation adjustment expenses are compared to net assets.

Calculation:

$$\frac{\text{Premium Income and Reserves for Compensation and Compensation Adjustment Expenses}}{\text{Net Assets}}$$

Importance: A common financial soundness measure used by both rating agencies and regulators to show how leveraged the organization is and to what degree a change in obligations could impact the net worth of the organization. If your leverage ratio is 5:1, then a one point change in reserves would have a five point impact on net worth. Shows how much risk is being carried by the balance sheet.

Net Loss Ratio

Definition: Net loss ratio measures an entity's underlying profitability, or loss experience on its total book of business. Losses and loss adjustment expenses are compared to premiums and assessments.

Ohio Bureau of Workers' Compensation Financial Performance Metrics

Calculation:

$$\frac{\text{Compensation and Compensation Adjustment Expenses}}{\text{Premium and Assessment Income}}$$

Importance: A common operational performance measure used by private insurers (and rating agencies/regulators) to show how well the company is pricing and underwriting its business and managing its claims costs.

Expense Ratio

Definition: The expense ratio measures an entity's operational efficiency in underwriting its book of business. Expenses are compared to premiums and assessments.

Calculation:

$$\frac{\text{Other Expenses}}{\text{Premium and Assessment Income}}$$

Combined Ratio after Policy Holder Dividends

Definition: The combined ratio after policyholder dividends measures an entity's overall underwriting profitability.

Calculation:

$$\frac{\text{Total Operating Expenses}}{\text{Premium and Assessment Income}}$$

Importance: The most common operational performance measure used by private insurers (and rating agencies/regulators) to show how well the company is pricing and underwriting its business, managing its claims costs and managing expenses. When the combined ratio is outside expectations, companies use the loss ratio and expense ratio calculations to see where the problem is.

Ohio Bureau of Workers' Compensation Financial Performance Metrics

Operating Ratio

Definition: The operating ratio measures an entity's overall operational profitability from underwriting and investment activities (excluding realized and unrealized investment gains and losses).

Calculation:

$$\frac{\text{Total Operating Expenses}}{\text{Premium and Assessment Income plus Investment Dividends and Interest Income}}$$

Importance: A key industry ratio that takes the Combined Ratio and brings into account the Investment Gain ratio. It's important to see both the Combined and the Operating ratios so that we can see whether it is the insurance side or the investment side that is driving any variance. Since BWC's explicit strategy is to incorporate investment gains into our pricing and performance targets, the Operating Ratio is the better measure for BWC to manage to than the Combined Ratio. However, we need to know both numbers.

EXECUTIVE SUMMARY

The Professional Employer Organization (“PEO”) business model for employment services began in the 1970’s and has continued to evolve and expand both in Ohio and nationwide. Initially the model began as the employee leasing industry which involved a client terminating its entire workforce, a leasing company employing that workforce, and then the leasing company providing the same workforce back to the client as leased employees. Over time, PEO’s evolved into a “co-employment” relationship used today. Typically a PEO assumes all of the human resources functions for a particular client employer with the client employer remaining responsible for supervising employees at the worksite. As a result, employer responsibilities are shared and allocated between the employer and the PEO by contract and/or law. PEO’s provide valuable integrated and cost effective services to small and medium size employers. These services include human resources consulting, compliance, comprehensive HR and benefit packages, employer risk services, and administrative services involving payroll, workers compensation and taxes.

In Ohio, PEO’s were not recognized until 1997 and the industry operated without any specific guidelines or laws. In 1997, the BWC promulgated Ohio Administrative Code (“OAC”) 4123-17-15 which provided for the combination of experience from employer client to PEO, implementation of requirements by PEO’s to report their client employers and aggregate data and to file electronic payroll and claims reports. Subsequent to this timeframe, several PEO’s filed for bankruptcy and exposed additional problems. For example, client employers were exposed to premium collection in addition to the fees already paid to the PEO and the BWC was challenged with the administration of transferring experience back to client employers all at one time as well as the lack of credibility around the experience actually transferred. Partially as a result of these challenges, legislation created by the PEO industry was adopted in 2004 and codified as Ohio Revised Code (“ORC”) 4125. This legislation established PEO registration and securitization requirements, clearly established the employer of record as the PEO, and parameters around the combination/transfer of experience.

In addition to state fund PEO’s, Ohio currently has six self insured (“SI”) entities that are also registered as PEO’s. As of March 3, 2011, there are a total of 238 PEO’s registered in Ohio, with the six SI PEO’s holding contracts with 1056 client employers, while the 232 state fund PEO’s hold contracts with 2483 employer clients. PEO’s continue to grow and add employer clients, especially SI PEO’s. In 2010, 485 employers entered into agreements with PEO’s (as opposed to only 57 client employers added in 2009), with 270 client employers joining the six SI PEO’s, while only 215 client employers signed up with state fund PEO’s. The key differences between a state fund PEO and a SI PEO are as follows: If an SI PEO takes on a state fund client employer, that employer’s claims incurred prior to the effective date of the client employer agreement remain the responsibility of the BWC, not the SI PEO. In addition, the payroll history for that same employer is not transferred to the SI PEO. Conversely, when a state fund client employer joins a state fund PEO, both the payroll and claims history, including responsibility for claims obligations incurred before the agreement with that PEO, are transferred to the state fund PEO.

Despite the promulgation of the rule and the 2004 legislation, issues continue to create challenges for BWC, including the potential for data manipulation, claim shifting between multiple PEO’s under

common ownership and inaccurate classification coding. In addition, the inherent structure of PEO's and their ability to (potentially) add or terminate client employers daily, create issues involving appropriate securitization of the ever-changing risks held by state fund and SI PEO's. Accordingly, the BWC engaged the consulting firm of Rector and Associates last fall to evaluate these issues. The consultants' report resulted in several findings and recommendations which include tracking data at the individual client employer level to allow for the calculation of an experience modifier ("EM") factor for each individual employer, to require quarterly reporting of state fund and SI PEO clients and employers' workforce, and enhanced securitization requirements for SI PEO's consistent with requirements for non-PEO SI entities. BWC is currently evaluating these recommendations and developing potential processes to allow implementation. At the same time, proposed legislation considered last year (HB 216), is being revisited which could potentially include some of the recommendations referenced above as well as others originally included in the former HB 216. This pending potential legislation (it has not been introduced in the legislature) also includes overall enhanced financial standards for all PEO's and limited registration for out of state PEO's.

Professional Employer Organizations (PEOs)

BWC Audit Committee

March 24, 2011

Purpose of PEO's

Provides integrated and cost effective services to small and medium size employers:

- Human Resources consulting, compliance, complete HR and benefit packages
- Employer risk management
- Administration of payroll, taxes, workers compensation

PEOs – National

- The PEO industry began in the 1970s as the employee leasing industry.
- The PEO business model evolved into a “co-employment” relationship that is used by today’s PEOs and recognized by state regulators.

PEO's – Ohio

- Prior to 1997, BWC Did Not Recognize PEO's
- PEO Industry Operated Without Specific Guidelines/Laws
 - No Experience Transfer, Tracking or Audit
 - Underreporting or Misreporting
 - Rate Manipulation
- BWC Rule for PEO: OAC 4123-17-15 (1997)
 - Combination of Experience (Employer Client to PEO)
 - Reporting of Client Employers
 - Utilize an aggregate PEO reporting policy
 - Implemented Electronic payroll and claims reports
- PEO(s) File for Bankruptcy- Problems created
 - Client employers exposed to premium collection by BWC in addition to fees paid to PEO
 - Administration challenges involving transfer of experience
 - Lack of credibility of experience transferred

2004 Legislation

- PEO Legislation (HB 183): 2004
 - ORC 4125.01-.99 Created by PEO Industry
 - PEO Registration/Securitization
 - Renewal/Revocation
 - PEO Reporting
 - Employer of Record
 - Combine/Transfer of Experience
 - Right to recover preserved against either PEO or client employer
- Statute/Rule Fails to Resolve many outstanding issues:
 - Potential data manipulation
 - Claim shifting
 - Inaccurate classification coding

Ohio Revised Code: 4123-17-15

- Professional employer organization or PEO:
 - sole proprietor, partnership, association, limited liability company, or corporation
 - An agreement with one or more client employers for the purpose of coemploying all or part of the client employer's workforce at the client employer's work site.
 - Does not include a temporary service agency
- Client employer : a sole proprietor, partnership, association, limited liability company, or corporation that
 - Enters into a PEO agreement
 - Is assigned shared employees by the PEO
- PEO agreement
 - a written contract to co-employ employees
 - Duration of not less than twelve months.
 - Intended to be, or is, ongoing rather than temporary in nature.

Penalties: OAC 4123-17-15

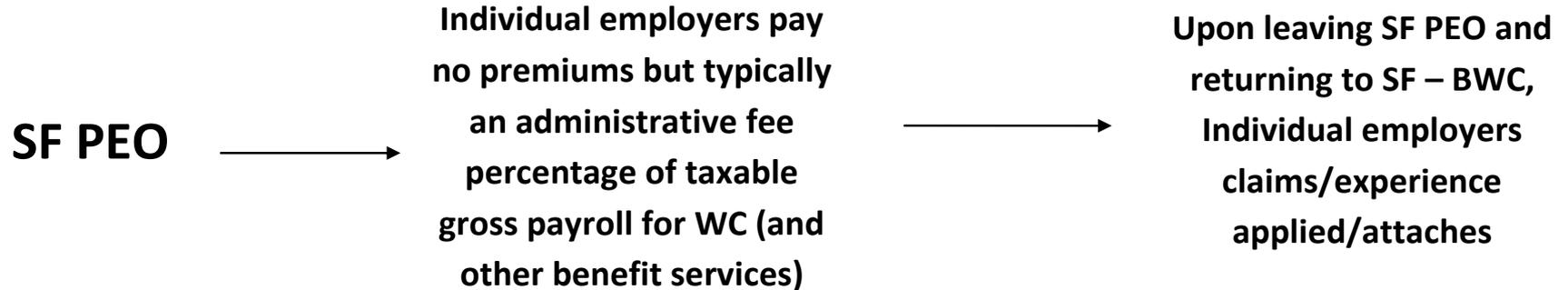
The Administrator may deny registration or revoke the registration of a PEO and rescind its status as a coemployer upon finding that the PEO has done any of the following:

- Obtained or attempted to obtain registration through misrepresentation, misstatement of a material fact, or fraud;
- Misappropriated any funds of the client employer;
- Used fraudulent or coercive practices to obtain or retain business or demonstrated financial irresponsibility;
- Failed to appear, without reasonable cause or excuse, in response to a subpoena lawfully issued by the administrator;
- Failed to comply with the requirements in accordance with this rule.

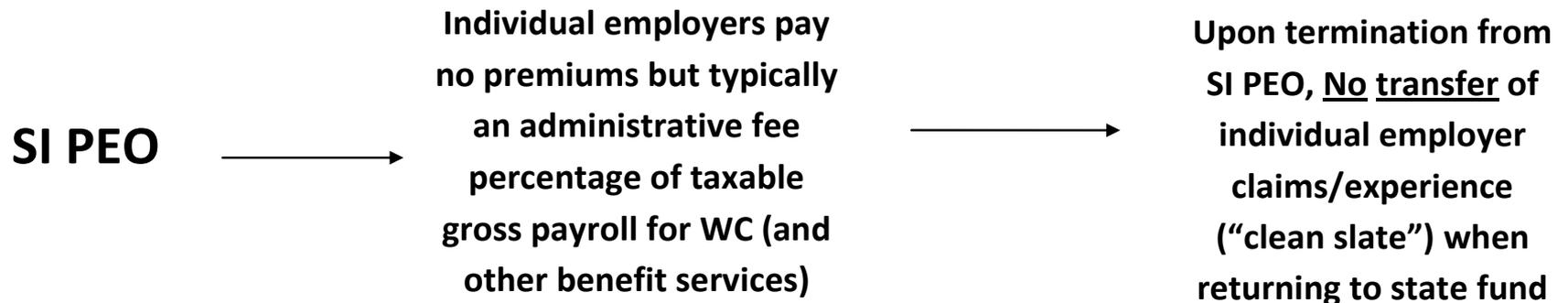
PEO: Employers Added 12/31/09-12/31/10

- 485 employers added
- 232 State Fund PEOs added 215 individual employers while just 6 self insured PEOs added 270 employers

STATE FUND PEO CONTRACT PERIOD



SELF-INSURED PEO CONTRACT PERIOD



Recommendations

- **I. Track data at individual client employers level to allow the calculation of an EM factor for each individual employer.**
 - [Purpose: Allows better monitoring of each employer's claims experience and payroll history, reducing potential for data manipulation and of PEO/employer relationship.]
- **II. Require PEO's to provide workers' compensation data to client employers.**
 - [Purpose: Allows employers to evaluate their status, consider other PEOs/options. Provides information to (mostly) small business employers to control costs efficiently.]
- **III. Require quarterly reporting of SF/SI PEO clients employers and employers workforce due to dramatic changes in risk.**
 - [Purpose: Allows monitoring of potential growth of both SF/SI PEOs during year – premiums/security.]

Recommendations

(continued)

- **IV. SI PEOs: Enhanced Securitization Requirements consistent with requirements for all SIs.**
 - [Purpose: Protect the SI Guaranty Fund by collecting security which matches the exposure represented by ever changing SI PEO employer client base.]

PEO Legislation

- **LSC 129 0657: HB 216 Revisited**
 - Effective January 1, 2012
- **Enhanced financial standards:**
 - Audited financial statements
 - Maintain positive working capital as defined by GAAP.
- **Out of state PEOs Limited Registration:**
 - Fifty or fewer shared employees employed or domiciled in Ohio on any given day.
- **Mandatory Reporting – Related PEOs**
 - Mandates reporting of any transfer of employees between related PEOs or PEO reporting entities to BWC within fourteen (14) calendar days after the date of the transfer, including all client payroll and claim information regarding the transferred employees.

PEO Legislation (continued)

- **Recommendations included in the bill:**
 - Track data at individual client employers level to allow the calculation of an EM factor for each individual employer.
 - Require PEOs to provide workers' compensation data to client employers.
 - Require quarterly reporting of SF/SI PEO clients employers and employers workforce.

**BWC Board of Directors
Audit Committee**

FY 11 2nd Quarter Executive Summary Report

March 24, 2011

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



**Bureau of Workers'
Compensation**

30 W. Spring St.
Columbus OH 43215-2256

To: Audit Committee Members
From: Caren Murdock, Chief of Internal Audit
Date: March 24, 2011

Fiscal Year 2011 2nd Quarter Executive Summary Report

Following you will find the Fiscal Year (FY) 2011 2nd Quarter Executive Summary (QES) Report containing:

1. Audit Comment Status
 - 1a. Audit Comments Issued 2nd Quarter
 - 1b. Charts and Summary Statistics
 - 1c. Audit Comments Outstanding as of December 31, 2010
2. Audit Report Follow-up Procedures
3. Audit Comment Rating Criteria
4. Fiscal Year 2011 Audit Plan
5. QES Acronyms

BWC Internal Audit Division

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BWC Internal Audit Division
Audit Comments Issued – 2nd Quarter Activity

Special Claims Audit – December 2010

As part of the Fiscal Year 2011 Internal Audit Plan, the BWC Internal Audit Division conducted an audit of the Special Claims unit. The audit evaluated operations in place from August 2009 through July 2010. The audit included a review of the following:

- Evaluating if claims and policies belonging to BWC employees, employees' spouses, or persons residing with employees are properly assigned to the Special Claims unit;
- Determining if out of state claims are properly investigated;
- Evaluating if management is proactively assessing the role of the Special Claims unit;
- Verifying that the initial Violation of a Specific Safety Requirement award payment is accurate and timely; and
- Determining if rehabilitation injury claims are appropriate and assigned to the correct policy.

Recommendation		Disposition
1	Establish continuous or periodic monitoring procedures to ensure Company Employee for Management and Processing (COEMP) claims and policies are identified, flagged, and reassigned. Rating: Significant Weakness	Field Operations will establish a continuous monitoring process to ensure all claims and policies are properly assigned. Then, all claims and policies will be reviewed and reassigned as necessary. Responsible: Chief of Customer Services Target Resolution Date: April 2011 Current Resolution Status: In Process
2	Implement procedures and controls to ensure that the Workers' Compensation Claims Specialist contacts the employer and/or injured worker (IW) to verify the three factors of jurisdiction, inquires about the submission of the Interstate Jurisdiction waiver, and completes the Insurance Services Office (ISO) searches. Rating: Significant Weakness	Management will implement a re-training class to ensure Special Claims staff contacts both the IW and employer to investigate interstate jurisdiction and emphasize completing an ISO check. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process

Auditor Opinion

Our review did not note material incidents of non-compliance with policy. However, there were inconsistencies of practice that may compromise management's ability to achieve some process objectives. These inconsistencies primarily pertain to identifying COEMP or special handling claims or policies and investigating out of state claims.

The audit also identified five areas of minor significance that management should address in which controls and/or policies/procedures could be improved and strengthened.

Procurement of Investment Management Services Audit – January 2011

The purpose of this review was to evaluate the design and implementation of controls. The audit reviewed investment management services procured between January 1, 2009 and August 31, 2010. During the audit period, procurement activity was significant but was contained within two Requests for Proposals (RFPs). Therefore testing of implementation of controls was limited to the RFPs and excluded Request for Quote and Request for Information policies.

Auditor Opinion:

Our review did not note material incidents of non-compliance with policy or statute. However, this review did note an opportunity to improve policies and procedures. This issue was not of a significant nature and did not compromise management’s ability to meet process objectives.

FY2011 Managed Care Organization (MCO) Audit #1 – January 2011

This audit focused primarily on the evaluation of internal controls and compliance with contractually required policies and procedures established by BWC. The audit scope consisted of payment transactions completed between October 2009 and September 2010. The audit included a review of the following:

- Evaluated internal control design and whether controls were placed in operation
- Assessed compliance with contract requirements and policy established by BWC
 - Areas of focus included:
 - Case management;
 - Provider account controls and accuracy;
 - Bill processing; and
 - Resolution of prior audit recommendations (BWC issues, SAS 70 audit findings, external auditor issues).

Recommendation		Disposition
1	Work with the MCO corporate office and/or their software vender to implement a change to record medical bill adjustments to bring the billing history current and ensure that all transactions are included in the system. Rating: Material Weakness	Systematic enhancements have been installed to ensure systematic adjustment and bill history is captured. Older bills will be added to the systematic history. Target Resolution Date: April 2011 Current Resolution Status: In Process
2	Develop a procedure for the review of provider estimates for services to be performed to ensure plans are cost effective. In addition, the MCO should develop controls to provide assurance that the actual costs incurred in vocational rehabilitation plans are reasonable in relation to the estimates initially submitted by the Vocational Rehabilitation Case Managers. Rating: Significant Weakness	The Vocational Rehabilitation Coordinator is establishing all necessary controls to ensure vocational rehabilitation costs are contained appropriately by way of initiating use of information bulletins to be sent to Field Case Managers (FCMs) and applying individual reviews of plans and bills. Target Resolution Date: February 2011 Current Resolution Status: In Process

Recommendation		Disposition
3	<p>Improve controls over vocational rehabilitation services to provide additional assurance that proposed plan services are reviewed for appropriateness of the requested services.</p> <p>Rating: Significant Weakness</p>	<p>The Vocational Rehabilitation Coordinator is establishing all necessary controls to ensure vocational rehabilitation costs are appropriate by initiating use of information bulletins to be sent to FCMs and applying individual reviews of plans and bills.</p> <p>Target Resolution Date: February 2011 Current Resolution Status: In Process</p>
4	<p>Expand the quality assurance/improvement efforts to include the vocational rehabilitation processes.</p> <p>Rating: Significant Weakness</p>	<p>The Vocational Rehabilitation Coordinator is establishing all necessary controls to ensure vocational rehabilitation costs are contained appropriately. This will be made certain by following relevant MCO Policy Reference Guide requirements and MCO's Policies and Procedures through initiating use of quality assurance monitoring and tracking.</p> <p>Target Resolution Date: February 2011 Current Resolution Status: In Process</p>
5	<p>Implement controls to provide additional assurance that individuals in contractually required positions have the mandatory credentials.</p> <p>Rating: Significant Weakness</p>	<p>The Vocational Rehabilitation Coordinator has been replaced and the new Vocational Rehabilitation Coordinator has the required credentials and experience.</p> <p>Target Resolution Date: November 2010 Current Resolution Status: In Process</p>
6	<p>Modify existing processes to provide assurance that all documents received by the MCO are date stamped at the time they enter the MCO's possession by an individual independent from the person processing the documents.</p> <p>Rating: Significant Weakness</p>	<p>Date stamping on all incoming electronic documents has been put into production.</p> <p>Target Resolution Date: January 2011 Current Resolution Status: In Process</p>
7	<p>Establish adequate controls to help provide assurance that system access is terminated in a timely manner following separation.</p> <p>Rating: Significant Weakness</p>	<p>Internal controls for ensuring termination of staff from BWC systems after separation have been reviewed. Policies and procedures and the Quality Assurance (QA) processes have been enhanced.</p> <p>Target Resolution Date: December 2010 Current Resolution Status: In Process</p>

Auditor Opinion

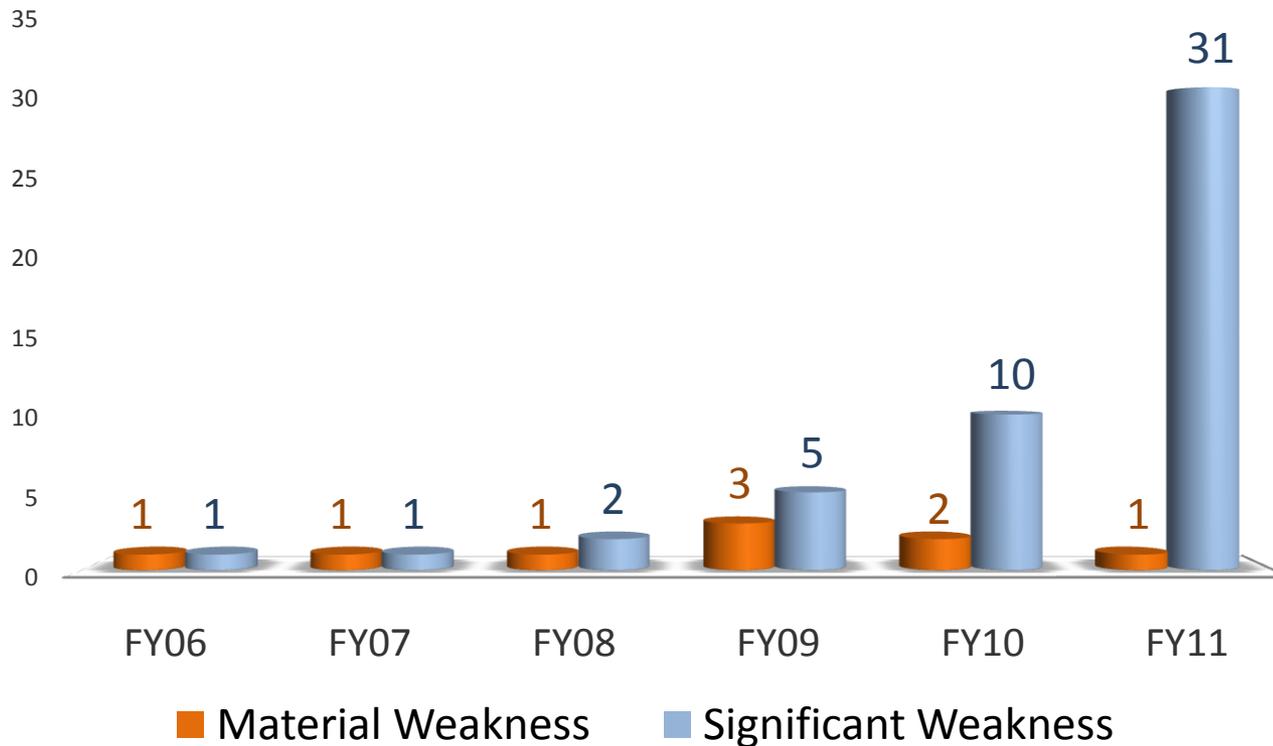
Overall, the internal controls for the MCO were not operating effectively. The audit identified a material weakness related to the posting of bill adjustments to the MCOs medical bill payment system, as well as a number of control weaknesses related to vocational rehabilitation plans and billings. The audit identified one additional area of minor significance that MCO management should address in which controls and/or policies/procedures could be improved and strengthened.

BWC Internal Audit Division

	FY10	FY10	FY11	FY11
	3rd	4th	1st	2nd
	Qtr	Qtr	Qtr	Qtr
Prior Total: Comments Outstanding	66	63	73	73
Plus: New Comments Issued	15	24	15	9
Minus: Comments Removed	-18	-14	-15	-23
New Total: Comments Outstanding	63	73	73	59
Material Weakness	15	9	9	9
Significant Weakness	48	64	64	50
New Total: Comments Outstanding	63	73	73	59

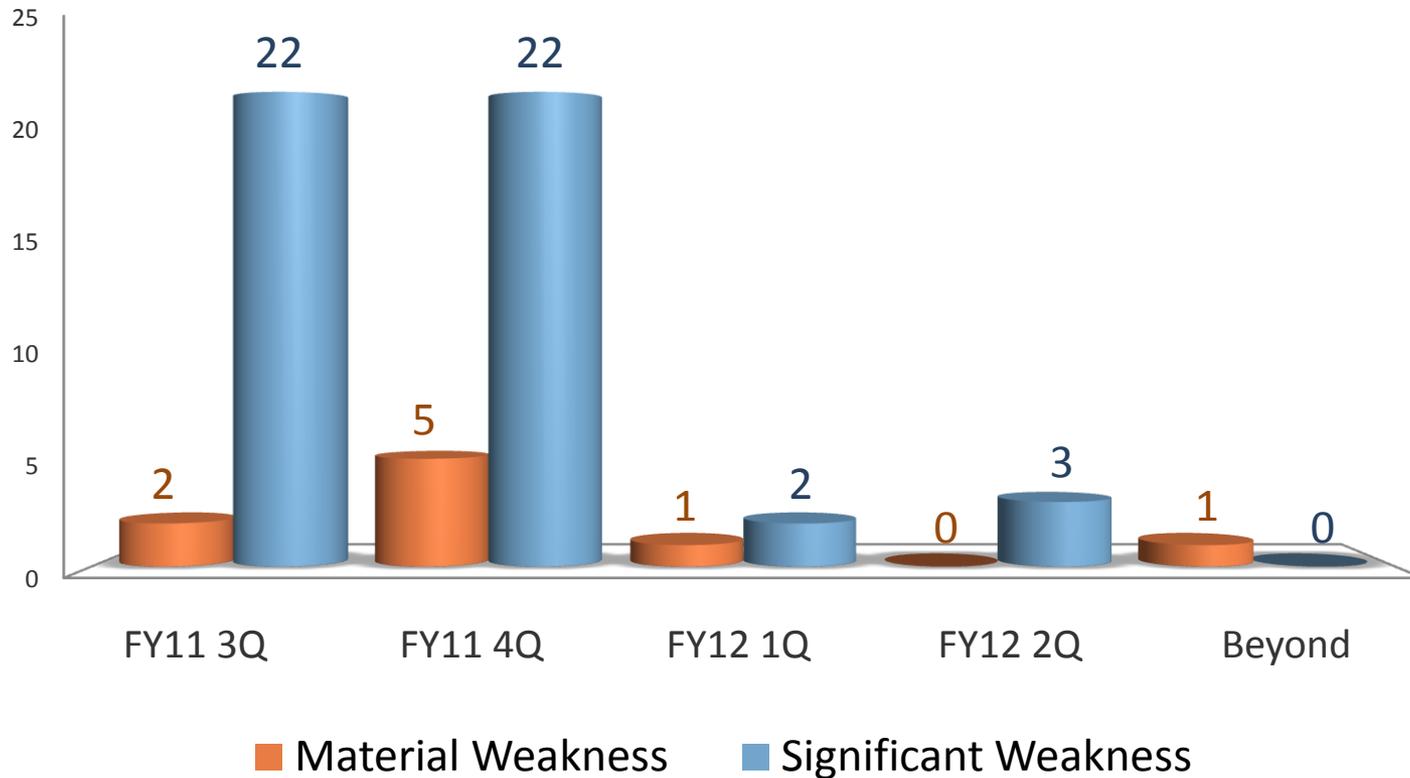
BWC Internal Audit Division

Outstanding Comments by Date Issued



BWC Internal Audit Division

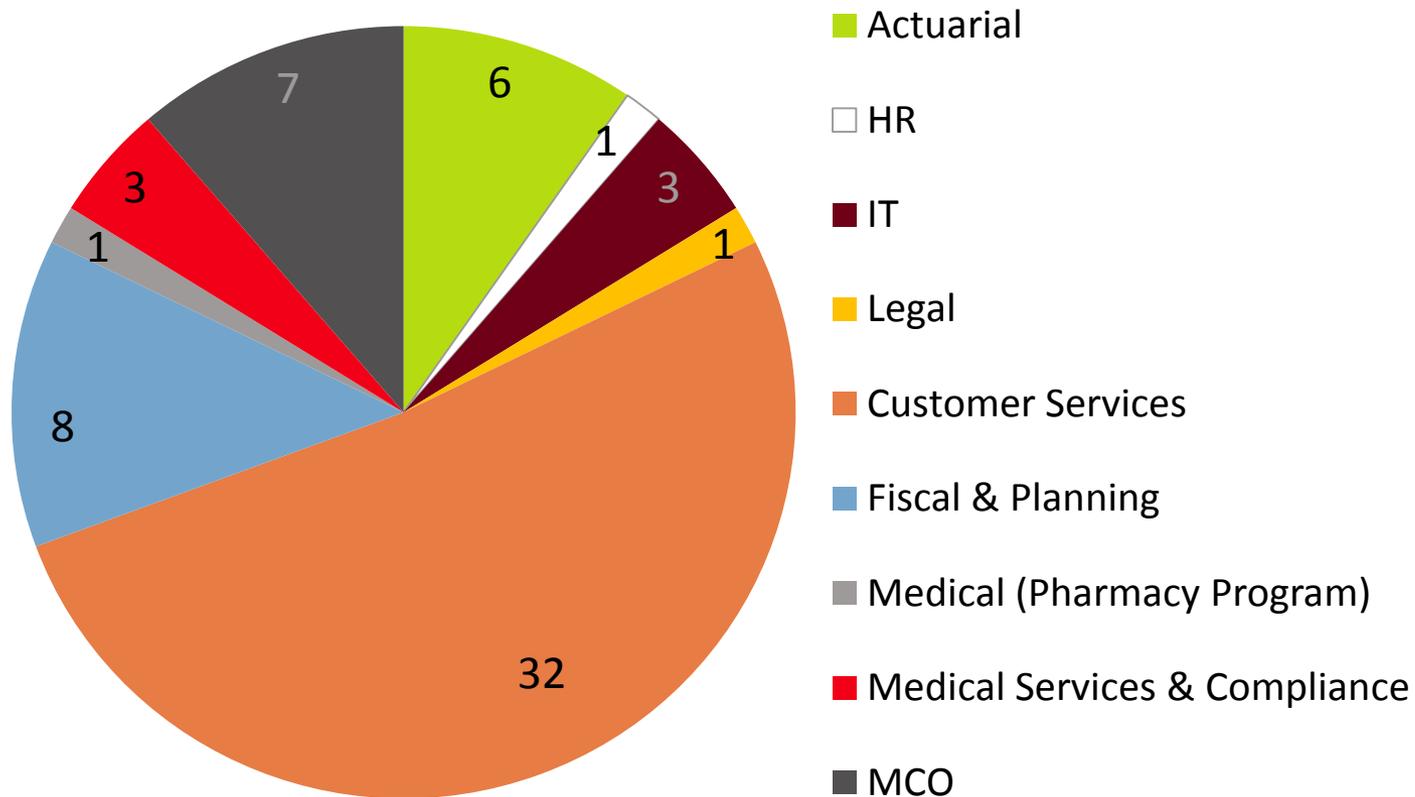
Validation schedule for remaining comments



Note: Excludes one comment for which management accepts risk.

BWC Internal Audit Division

Comments Outstanding by Responsible Division



Note: Three comments assigned to multiple divisions are reflected in both division counts.

**BWC Internal Audit Division
Outstanding Audit Comments as of December 31, 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	This item is under review to determine whether management should accept this risk or develop a multi-layered plan to address the various types of minimum premium employers. Responsible: Chief Actuarial Officer Target Resolution Date: July 2011 Previous Target Date(s): December 2006, June 2007, December 2007, December 2008 Current Resolution Status: In Process

Manual Override – December 2006

Recommendation		Disposition
1	Resolve the current rating inequity between group rated and non-group rated employers. Also, adopt standard controls to prevent rate manipulation by employer groups. Rating: Material Weakness	Group rating program development is in progress with an anticipated implementation date for the July 2012 policy year. The split experience rating plan is also in progress and on target for implementation of a beta year for the policy year beginning July 2011 and full implementation for policy year beginning July 2012. Responsible: Chief Actuarial Officer Target Resolution Date: July 2012

Recommendation		Disposition
		Previous Target Date(s): January 2007, June 2007, July 2009, July 2011 Current Resolution Status: In Process

Pharmacy Benefit Manager (PBM) Audit – May 2007

Recommendation		Disposition
1	Develop and implement a plan to strengthen oversight and improve management of the program. Rating: Significant Weakness	After researching other states' Workers' Compensation drug programs, dispensing patterns and studying BWC's drug provisions, the Pharmacy Department has established benchmarks and recommended policy changes for the pharmacological management of IWs on high doses of narcotics. Utilizing Vendor & Compliance and Performance Monitoring data the Pharmacy Department has developed queries, written and implemented procedures aimed at identifying and clinically managing those claims that exceed industry norms. BWC continues to lend guidance and monitor Vendor reports and contract compliance through weekly teleconferences. Responsible: Chief Medical Officer Target Resolution Date: September 2010 Previous Target Date(s): September 2007, December 2009 Current Resolution Status: Implemented

Vocational Rehabilitation Audit – October 2007

Recommendation		Disposition
1	Eliminate the potential conflict of interest created by Managed Care Organizations (MCO)s that refer vocational rehabilitation cases to their related companies. Rating: Material Weakness	An objective rehabilitation referral mechanism is currently in development. Responsible: Chief of Medical Services and Compliance Target Resolution Date: June 2011 Previous Target Date(s): October 2008, January 2010, May 2010 Current Resolution Status: In Process

Medical Bill Payment Process Audit – March 2008

Recommendation		Disposition
1	Monitor and track the certification application process to verify all providers are routinely reapplying for	BWC Medical Services has modified the recertification request to execute solely under infrastructure currently within

Recommendation		Disposition
	certification and providing the Bureau with credentialing information. Rating: Significant Weakness	Provider Enrollment and Certification Housing (PEACH) which will allow for appropriate recertification processing integrity to occur. Other requested enhancements to optimize processing were deferred for a later PEACH enhancement project. The Governance Committee will discuss this item and IT scheduling. Responsible: Chief of Medical Services and Compliance Target Resolution Date: March 2011 Previous Target Date(s): December 2008, June 2009, December 2009, September 2010, January 2011 Current Resolution Status: In Process

Subrogation Audit – May 2008

Recommendation		Disposition
1	Collaborate with IT to explore potential system enhancements to better support the subrogation process. Rating: Significant Weakness	IT initially determined that an enhancement to Version 3 (V3) was the solution to resolve this issue. However, IT subsequently determined that V3 software was outdated and, therefore, began to work towards creation of a web-based database as the best solution. Due to its size and availability of staff, the project will be implemented in several stages. The data conversion and core functionality will be implemented by July 2010. Additional functionality will be completed by December 2011. Responsible: General Counsel & Chief Ethics Officer Target Resolution Date: December 2011 Previous Target Date(s): December 2009, July 2010, July 2011 Current Resolution Status: In Process

Employer Policy Application Process Audit - March 2009

Recommendation		Disposition
1	Revise procedures to issue prior to coverage payroll reports covering the entire period since employers first hired employees and came under obligation to obtain workers' compensation coverage. Rating: Significant Weakness	This process is handled either through automatic generation of reports for periods less than two years, or by audit referral. A systems request to have WCIS access records for more than two years has been submitted. Responsible: Chief of Customer Services

Recommendation		Disposition
		Target Resolution Date: August 2011 Previous Target Date(s): July 2010 Current Resolution Status: In Process

Change Management Audit - June 2009

Recommendation		Disposition
1	Better communicate or define an emergency change and require service level agreements with the end-user community. Rating: Significant Weakness	The number of changes classified as emergency continues to decrease as the result of process improvements. Also, a process for developing and monitoring formal service level agreements has been developed. However, due to the amount of time concerns, the focus has been on documenting and communicating all existing service goals and objectives. Documentation is underway and will be reviewed by the IT Directors prior to communication. Responsible: Chief Information Officer Target Resolution Date: March 2011 Previous Target Date(s): November 2009, March 2010, August 2010 Current Resolution 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	Evaluation of a comprehensive change management tool that integrates with the existing problem/incident management software is underway. A decision on acquisition of the tool is expected to be made in January. If funding is not approved, alternatives will be investigated. Responsible: Chief Information Officer Target Resolution Date: June 2011 Previous Target Date(s): November 2009, March 2010 Current Resolution Status: In Process

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

Since publication of the SI Bankrupt Securitization Process and the SI Underwriting Audits, BWC has recognized that its approach to managing the SI program required a major re-evaluation. To date, many changes in process, personnel, and policy have taken place and are on-going. And while management set original target dates to address deficiencies noted in these audits intervening resource constraints and priorities have prevented completion with the specified timeframes. As such, management is working diligently to address remaining outstanding issues.

Recommendation		Disposition
1	Develop and implement all-inclusive policies and procedures for the BSI	Draft policies have been created and are being assessed to determine if all risks

	Recommendation	Disposition
	securitization process. Rating: Material Weakness	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 Resolution Status: In Process
2	Create a policy and process map that outlines routine collection and certification efforts, write-off accounts that are settled or uncollectible, and create a centralized system to track and retain documents pertaining to collections efforts. Rating: Material Weakness	Accounting management has developed policies and procedures with controls that will lay the foundation for collecting the past due receivables related to bankrupt self-insured sureties. We will work hard to review and certify debt to the Attorney General for further collection action, but it is likely that we will still have accounts that are still being worked as of June 2011. Our goal is to demonstrate that our collection policies and procedures are working as designed and contain appropriate controls and monitoring. Responsible: Chief of Fiscal and Planning Target Resolution Date: June 2011 Previous Target Date(s): October 2009, December 2009, March 2010, December 2010 Current Resolution Status: In Process
3	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. Rating: Material Weakness	Policies and procedures will be reviewed and revised to include adequate internal controls to ensure all BSI employers are scheduled for Self Insured Review Panel and Direct Billing is provided all needed documentation in a timely manner. Responsible: Chief of Customer Services, Chief of Fiscal and Planning Target Resolution Date: June 2011 Previous Target Date(s): June 2009, December 2009, March 2010, June 2010, August 2010 Current Resolution Status: In Process
4	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. Rating: Significant Weakness	The securities inventory has been completed. Initial assessment of inventory has identified the need for validation of security's inventory; however, management finds the inventory sufficient to effectively perform the new financial underwriting process.

Recommendation		Disposition
		On-going validation of the security inventory will take place throughout 2011, upon each policy's renewal. Responsible: Chief of Customer Services Target Resolution Date: December 2011 Current Resolution Status: In Process
5	Work with IT to create a new system for tracking securitization balances or implement additional controls specific to the Microsoft Excel format. Rating: Significant Weakness	Management is consulting with IT on project scope and requirements. Responsible: Chief of Fiscal and Planning Target Resolution Date: March 2011 Previous Target Date(s): December 2009, May 2010 Current Resolution Status: In Process

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

Recommendation		Disposition
1	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	Management is developing a solution utilizing system restrictions and the review of Employer of Record changes processed outside of the Classification Unit. Responsible: Chief of Customer Services Target Resolution Date: May 2011 Previous Target Date(s): December 2010 Current Resolution Status: In Process

Fixed Asset Audit – February 2010

Recommendation		Disposition
1	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	Projects are under consideration to automate the Equipment Transfer Authorization form or otherwise facilitate the accurate tracking of asset movements. Once these projects have been completed, we will be able to communicate a new equipment transfer policy via the BWCWeb and employee handbook. Responsible: Chief of Fiscal and Planning Target Resolution Date: June 2011 Previous Target Date(s): June 2010, September 2010, December 2010 Current Resolution Status: In Process
2	Modify the Oracle asset management system to comply with State policy or acquire another more capable application. Rating: Significant Weakness	Management recently added an enhancement to the Oracle database which allows the preparation of the "gap report." Additional enhancements to the Oracle database have been identified and

Recommendation		Disposition
		a project request has been submitted to address them. Responsible: Chief of Fiscal and Planning Target Resolution Date: June 2011 Previous Target Date(s): June 2010, September 2010 Current Resolution Status: In Process
3	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	IT Strategy & Governance and the Service Management Office are working with Finance to secure funding for Facilities to install security upgrades for the furniture cage at MAFIL (BWC's storage facility). Responsible: Chief of Fiscal and Planning Target Resolution Date: January 2011 Previous Target Date(s): June 2010 Current Resolution Status: In Process
4	Restructure, or otherwise supplement, the Inventory Control Unit to provide for adequate segregation of duties and compliance with State policy. Rating: Significant Weakness	The use of asset scanning technology minimizes the segregation of duties issue and management plans to utilize temporary or contract resources during the physical inventory. Any residual risk will be assumed. Responsible: Chief of Fiscal and Planning Target Resolution Date: December 2010 Previous Target Date(s): June 2010, August 2010 Current Resolution Status: Not Implemented

Self Insured Underwriting (SIU) Unit Audit – April 2010

Since publication of the SI Bankrupt Securitization Process and the SI Underwriting Audits, BWC has recognized that its approach to managing the SI program required a major re-evaluation. To date, many changes in process, personnel, and policy have taken place and are on-going. And while management set original target dates to address deficiencies noted in these audits intervening resource constraints and priorities have prevented completion with the specified timeframes. As such, management is working diligently to address remaining outstanding issues.

Recommendation		Disposition
1	Establish a process with adequate controls over decisions to grant SI status or require securitization. Rating: Material Weakness	Current practices require joint approval of new SI applications and notifications of approvals to the Chief of Customer Service and the Chief Operating Officer. Management will document these practices into formal policy and procedure documents that include a requirement to retain documentation of concurring eligibility determinations. Responsible: Chief of Customer Services Target Resolution Date: March 2011 Previous Target Date(s): December 2010

Recommendation		Disposition
		Current Resolution Status: In Process
2	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	Management believes it has addressed the concerns of the audit in practice and is in the process of finalizing written policies and procedures. Responsible: Chief of Customer Services Target Resolution Date: March 2011 Previous Target Date(s): December 2010 Current Resolution Status: In Process
3	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	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: June 2011 Previous Target Date(s): December 2010 Current Resolution Status: In Process
4	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	Management is finalizing procedures for SI-40 report monitoring, collection and enforcement as well as estimating paid compensation when not reported. Responsible: Chief of Customer Services Target Resolution Date: February 2011 Current Resolution Status: In Process
5	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	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 Current Resolution Status: In Process
6	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: June 2011 Previous Target Date(s): December 2010 Current Resolution Status: In Process
7	Develop and implement policies and procedures to define how to proceed when a letter of credit issuer notifies BWC of an election not to renew. Rating: Significant Weakness	Management believes it has addressed the concerns of the audit in practice and is in the process of finalizing written policies and procedures. Responsible: Chief of Customer Services Target Resolution Date: March 2011 Previous Target Date(s): December 2010 Current Resolution Status: In Process

Premium Audit – July 2010

Recommendation		Disposition
1	Revise the premium audit targeting approach to ensure that Professional Employment Organizations (PEOs) are audited every year. Rating: Significant Weakness	PEO's with no clients were identified and have been sent to field for audit scheduling. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
2	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
3	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

Employer Rate Adjustment Audit – August 2010

Recommendation		Disposition
1	Enhance controls around experience modifier (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	Internal procedures have been modified to address this recommendation. We sent a request to Employer Services to remove access from any underwriter with block capability. Responsible: Chief Actuarial Officer Target Resolution Date: January 2011 Previous Target Date(s): August 2010 Current Resolution Status: In Process
2	Develop management reporting and QA review procedures for changes to key demographic data that may impact reserves. Rating: Significant Weakness	Actuarial is preparing an Idea to IT for the development of a monthly report to reflect all changes to MIRA II data that causes a reserve prediction. The report will be a part of the monthly quality assurance process performed by the supervisor regarding claim cost adjustments, EM and MIRA overrides. Responsible: Chief Actuarial Officer Target Resolution Date: March 2011 Previous Target Date(s): August 2010 Current Resolution Status: In Process
3	Implement an independent reconciliation/review of EM overrides and blocks, which employs system	Procedures and resources for the reconciliation/review have been determined and the process will be

Recommendation		Disposition
	reports encompassing the full population of transactions being reconciled. Rating: Significant Weakness	complete when Docview reports are put into production Responsible: Chief Actuarial Officer Target Resolution Date: March 2011 Previous Target Date(s): August 2010, December 2010 Current Resolution Status: In Process
4	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 has sent WCIS and V3 profile update requests to IT Security. Responsible: Chief Actuarial Officer Target Resolution Date: January 2011 Previous Target Date(s): June 2010 Current Resolution Status: In Process

Investment Personal Trading Policy Audit – August 2010

Recommendation		Disposition
1	Develop detailed review procedures and provide necessary training to assist Human Resources Division staff in identifying violations of prohibitions against transacting in Initial Public Offerings or securities on the restricted securities list. The Committee should also consider providing additional information to covered persons to assist them in maintaining compliance. Rating: Significant Weakness	The training is postponed for a few months until the Administrator has had an opportunity to see how he would like to handle the policy and training. Training for the Human Resources employee assisting with policy implementation was completed in January 2011. Responsible: Chief Human Resource Officer Target Resolution Date: June 2011 Current Resolution Status: In Process

Safety and Hygiene Audit – August 2010

Recommendation		Disposition
1	Investigate possible collaboration between departments providing safety consulting services. Consider pursuing statutory changes to permit the Public Employment Risk Reduction Program (PERRP) to freely conduct enforcement investigations and compel compliance with safety standards. Rating: Significant Weakness	PERRP requested an interpretation from Legal for PERRP's involvement with the right-of-entry authority under 4121.17. A plan for those public employers that do not submit by February 2011 is in development, focusing on state and city employers visited in 2010. 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	The proposed database was recently completed. Changes and reports are still in development. Complaints are now entered in the database and reviewed. The Clarity project was approved as a Tier 2, but no date has been scheduled to begin. It will depend on the availability of

Recommendation		Disposition
		the necessary IT resources. Responsible: Chief of Customer Services Target Resolution Date: April 2011 Previous Target Date(s): 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 have not been reported by public employers. Rating: Significant Weakness	The CAT (catastrophic claim) report is sent weekly and reviewed with excel spreadsheet. BWC service offices notify PERRP of fatalities. Responsible: Chief of Customer Services Target Resolution Date: March 2011 Previous Target Date(s): 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	Postcards were sent to public employers to remind them of the next deadline. Banners were scheduled to be on BWC's website the end of December through February. BWCWeb and E-news articles were created and sent out the end of December. A Webinar with Comp Mgmt is scheduled to conduct recordkeeping training for public employers. E-mail reminders were sent out to all safety councils. PERRP provided recordkeeping training to safety councils in January. The Clarity project for active policy numbers was approved as a Tier 2 project but has not been scheduled. Responsible: Chief of Customer Services Target Resolution Date: July 2011 Current Resolution Status: In Process

Temporary Total Disability Claims Audit – October 2010

Recommendation		Disposition
1	Develop standard Notice of Referral language for each type of issue referred to the Industrial Commission to ensure all necessary data elements are included. Rating: Significant Weakness	Management continues to work on the statewide workshop and is on track to conduct this workshop during March 2011. Responsible: Chief of Customer Services Target Resolution Date: March 2011 Current Resolution Status: In Process

Employer Compliance Audit – November 2010

Recommendation		Disposition
1	Evaluate available options to reduce the backlog of outstanding referrals for the Employer Compliance Department (ECD). Implement controls to provide	Case backlogs are currently being reviewed for archiving of low risk aged cases and refinement of controls to insure that assignment processes are reviewed,

	Recommendation	Disposition
	assurance that assigned referrals are completed in a timely manner. Rating: Significant Weakness	approved and applied consistently. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
2	Revise the premium audit/employer compliance targeting approach to ensure employers considered to be at greatest risk of misreporting payroll are audited each year. Rating: Significant Weakness	Targeting approach for FY12 is currently being evaluated and a 2-3 year audit cycle applied to Temporary Agencies and PEOs with more than 10 clients. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
3	Develop, document and implement formal QA review procedures over key processes to provide assurance regarding the accuracy and appropriateness of transactions. Rating: Significant Weakness	ECD is currently studying improved reporting metrics and developing procedures to report and control timeliness accuracy and appropriateness of processing. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
4	Develop written policies and procedures outlining the recovery tracking process, implement quality assurance review procedures and reevaluate the methodology for reporting the return on expenditure statistic for employer compliance activities. Rating: Significant Weakness	Recovery and Return on Expenditure (ROE) reporting were removed from management reporting in October and are no longer included in weekly reports. Monthly reporting of recovery and ROE ceased effective with November End of Month reports. Data fields containing Recovery tracking will be removed as part of SharePoint tracker re-tooling. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
5	Implement improved procedures to identify and investigate employers that have claims filed against them but have never had coverage. Rating: Significant Weakness	Formalized procedures to refer these policies for additional audit review will be included with ongoing policy and procedure review and updates in cases where additional periods of operation are suspected. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
6	Takes steps to ensure that employer compliance letters are issued in a timely manner. Rating: Significant Weakness	Management has already reduced the response time from 90 to 45 days. This change in procedure will be included with policy and procedure reviews and updates. Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process
7	Revise the premium audit and/or employer compliance planning processes to evaluate the need for	Management will coordinate with Premium Audit to establish a policy for identifying high-risk employers with

Recommendation		Disposition
	<p>follow up audits or compliance monitoring for employers with significant prior non-compliance findings.</p> <p>Rating: Significant Weakness</p>	<p>significant audit findings or repeated findings for scheduling follow up audits.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process</p>
8	<p>Update the ECD policies and procedures manual to include detailed instructions for key departmental processes.</p> <p>Rating: Significant Weakness</p>	<p>Management will complete the ongoing review and update of existing policy and procedure to insure that the recommended items are included.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process</p>
9	<p>Work with BWC Senior Management and the BWC Legal Division to evaluate the need to pursue legislative change to modify employer fines for operating without workers compensation coverage. Develop procedures to utilize the rule permitting fines for employers who fail to report payroll accurately.</p> <p>Rating: Significant Weakness</p>	<p>This is an agency level strategic initiative and will be included in updates to legislative wish list items.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process</p>
10	<p>Collaborate with IT to identify a means of flagging employers with policy restrictions in a manner more readily identifiable to employees accessing the related policies.</p> <p>Rating: Significant Weakness</p>	<p>Management agrees that this should be considered. In the interim, a demand management Clarity project is in development for additional IT evaluation.</p> <p>Responsible: Chief of Customer Services Target Resolution Date: June 2011 Current Resolution Status: In Process</p>

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 2011 Annual Audit Plan

Ref #	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	
1	Temporary Total Disability Benefits													4
2	Employer Compliance Unit													4
3	Claims Quality Assurance Consulting Engagement													2
4	Special Claims													4
5	Professional Employment Organizations													5
6	Medical Services Compliance and Performance Monitoring Unit													4
7	Percentage Permanent Partial Disability													3
8	Employer Refunds													3
9	Sysco Reimbursements													2
10	Large Deductible Program													4
11	New Claims Audit													5
12	Pharmacy Benefit Program													5
13	MCO Administrative and Incentive Payments													4
14	FY 2012 Audit Plan													3
15	External Audit Assistance													5
16	MCO Audits													5
17	Investment Continuous Compliance Monitoring Efforts													5
18	Audit Validation Testing													5

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

Audit Effort Explanations

Number

- 1
- 2
- 3
- 4
- 5

Audit Effort Explanations

- Extra Small
- Small
- Medium
- Large
- Extra Large

Hours

- <100 hours
- 100 - 300 hours
- 301-500 hours
- 501-800 hours
- 801-1200 hours



Audit Plan updated September 2010

Revised Audit Plan

BWC Internal Audit Division QES Acronyms

Acronym	Description
BSI	Bankrupt Self Insured
BWC	Bureau of Workers' Compensation
COEMP	Company Employee for Management and Processing
ECD	Employer Compliance Department
EM	Experience Modifier
FCM	Field Case Managers
FY	Fiscal Year
ISO	Insurance Services Office
IT	Information Technology
IW	Injured Worker
MAFIL	Managing Active/Inactive Files by Innovative Logistics (BWC's storage facility)
MCO	Managed Care Organization
PEACH	Provider Enrollment and Certification Housing
PEO	Professional Employment Organization
PERRP	Public Employer Risk Reduction Program
PBM	Pharmacy Benefit Management
QA	Quality Assurance
QES	Quarterly Executive Summary
RFP	Requests for Proposals
SI	Self Insured
SIU	Self Insured Underwriting
UDS	Universal Document Service
V3	Version 3 (BWC's Claims Management System)
WCIS	Workers' Compensation Insurance System



Internal Audit Open Discussion

Audit Plan

Planning Phase:

- Investment Performance Reporting
- Large Deductible Program
- Sysco Reimbursements

Fieldwork Phase:

- Claims Quality Assurance Engagement
- Employer Refunds Audit
- New Claims Audit
- MCO Audit #3
- MCO Audit #4
- Percentage Permanent Partial Disability

Final Phase:

- Compliance and Performance Monitoring Audit
- Investment New Account Set Up and Asset Transition Review
- MCO # 2

Completed Projects for March Quarterly Executive Summary (QES):

- Investment Request for Proposal Compliance Review
- MCO #1
- Special Claims Audit

Other

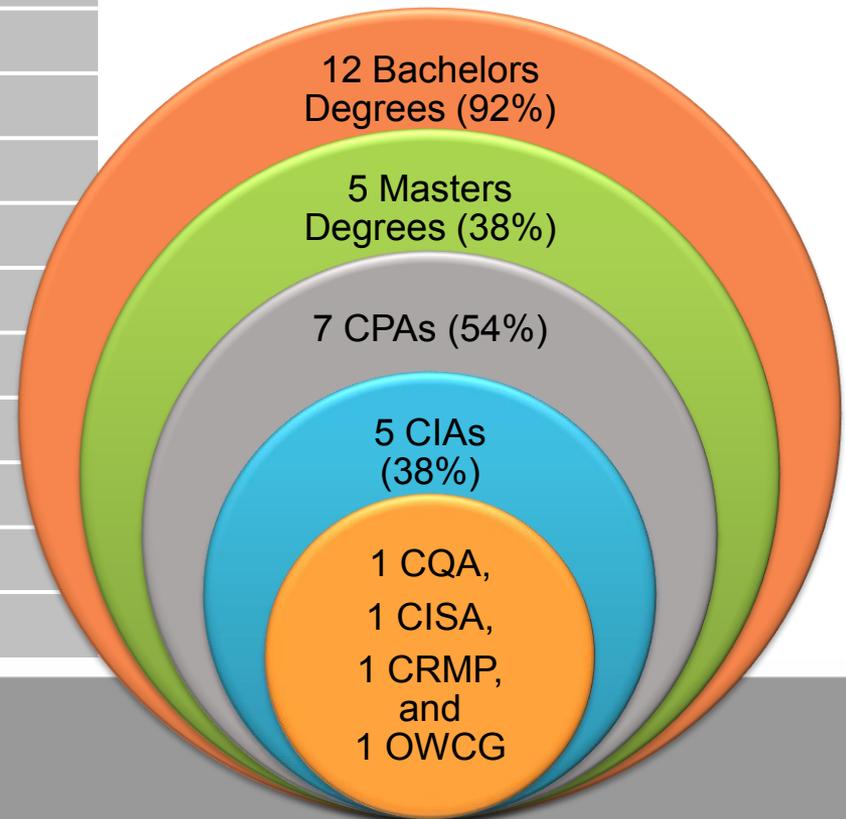
- Internal Audit Staff (See Attachment A)
- Audit Validation for June QES
- Office of Budget and Management IT Project

BWC Internal Audit Division

Title	Degrees	Certifications
Chief	BSBA	CIA, CPA, CISA, CRMP
Administrative Assistant	BBA, MSP	
Director	BBA, MBA	CPA
Investment Manager	BS, MBA	CPA, CIA
Manager	BSBA	CPA
Supervisor	BSBA	CIA
Supervisor	BSBA	CPA
Supervisor	BSBA, MAcc	CPA, CIA
Supervisor	BBA	CPA
Auditor	BSBA	CIA, CQA
Auditor	ABA	OWCG
Auditor	BS	
Auditor	BBA, MBA	

Attachment A:

Staff Certifications and Degrees



Date	March 2011	Notes
3/24/11	1. Claimant Reimbursement Rule 4123-6-26 (2nd read)	
	2. Vocational Rehab fee schedule (1st read)	
	3. Outpatient Medication Reimbursement Rule (1st read)	
	4. SI Outpatient Medication Reimbursement Rule (1st read)	
	5. C-9 rule changes (1st read)	
	6. Best Practices in Pain Management	
	7. Customer Services Report	
	April 2011	
4/28/11	1. Vocational Rehab fee schedule (2nd read)	
	2. Outpatient Medication Reimbursement Rule (2nd read)	
	3. SI Outpatient Medication Reimbursement Rule (2nd read)	
	4. C-9 rule changes (2nd read)	
	5. Formulary Rule (1st read)	
	6. Medical Services Report	
	May 2011	
5/26/11	1. Formulary Rule (2nd read)	
	2. Lock in Pharmacy Rule (1st read)	
	3. Customer Services Report	
	June 2011	
6/15/11	1. Medical & Service Provider Fee Schedule (1st read)	
	2. Lock in Pharmacy Rule (2nd read)	
	3. Medical Services Report	
	July 2011	
7/28/11	1. Medical & Service Provider Fee Schedule (2nd read)	
	2. Customer Services Report	
	August 2011	
8/25/11	1. Inpatient Hospital Fee Schedule (1st read)	
	2. Medical Services Report	
	September 2011	
9/29/11	1. Inpatient Hospital Fee Schedule (2nd read)	
	2. Customer Services Report	
	October 2011	
10/27/11	1. Committee Charter review (1st read)	
	2. Inpatient Hospital Fee Schedule (2nd read)	
	3. Medical Services Report	
	November 2011	
11/17/11	1. Ambulatory Surgical Center Fee Schedule Rule (1st read)	
	2. Outpatient Hospital Fee Schedule (1st read)	
	3. Committee Charter Review (2nd read)	
	4. Customer Services Report	
	December 2011	
12/14/11	1. Conform Fee Schedules with new Medicare rates	
	2. Ambulatory Surgical Center Fee Schedule Rule (2nd read)	
	3. Outpatient Hospital Fee Schedule (2nd read)	
	4. Medical Services Report	
	January 2012	
1/xx/12	1. Customer Services Report	
	February 2012	
2/xx/12	1. Medical Services Report	

Ohio BWC Fee Schedule History and Calendar: 2007 – Current

Inpatient Hospital Fee Schedule

Year	Reviewed/ Approved	Effective Date	Est. % Change	Est. \$ Change
2007	N/A	N/A	N/A	N/A
2008	Sept/Oct	Jan. 1, 2009	-0.9%	-\$471,950
2009	Sept/Oct	Feb. 1, 2010	+2.9%	+\$2.4 million
2010	Sept/Oct	Feb. 1, 2011	+5.7%	+\$4.9 million
2011				

Outpatient Hospital Fee Schedule

Year	Reviewed/ Approved	Effective Date	Est. % Change	Est. \$ Change
2007	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2009	Dec/Jan/Apr	Jan. 1, 2011	-7.2%	-\$2.55 million
2010	Oct/Nov	Apr. 1, 2011	-7.2% from base rate*	-\$10.2 million
2011				

* BWC plans to maintain the same payment adjustment factor through Feb. 28, 2012; therefore, a total of a 7.2% decrease is expected for services rendered from January 1, 2011 through February 28, 2012.

Ambulatory Surgical Center Fee Schedule

Year	Reviewed/ Approved	Effective Date	Est. % Change	Est. \$ Change
2007	N/A	N/A	N/A	N/A
2008	Nov/Dec	April 1, 2009	+23%	+\$1.73 million
2009	Oct./Nov.	April 1, 2010	+16%	+\$860,000
2010	Nov./Dec.	April 1, 2011	+10%	\$677,000
2011				

Ohio BWC Fee Schedule History and Calendar

Vocational Rehabilitation Fee Schedule

Year	Reviewed/ Approved	Effective Date	Est. % Change	Est. \$ Change
2007	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2009	Nov/Dec	Feb. 15, 2010	+5.86%	+\$1.9 million
2010	N/A	N/A	N/A	N/A
2011	Mar/Apr	June, 2011	+1.42%	+\$452,122

Medical and Service Provider Fee Schedule

Year	Reviewed/ Approved	Effective Date	Est. % Change	Est. \$ Change
2007	N/A	N/A	N/A	N/A
2008	Sept/Oct/Nov	Feb. 15, 2009	+6.0%	+\$23.8 million
2009	Sept/Oct	Nov. 1, 2009	+0.2%	+\$800,000
2010	June/July	Oct. 25, 2010	+2.9%	+\$9.2 million
2010	Dec (emergency)*	January 1, 2011	N/A	N/A
2011	Jan (final)			

* Emergency rule to add new codes