

**Audit Committee  
Agenda  
November 20, 2007  
Level 2, Room 3  
4:00 pm – 6:00 pm**

**Call to Order**

Ken Haffey, Chairman

**Roll Call**

Tom Woodruff, Scribe

**Approve Minutes of October 25 meeting**

Ken Haffey

**New Business/Action Items**

1. Review and Approval of Audit Committee Charter  
Ken Haffey
2. External Audit Update  
Ken Haffey
3. Possible Rule Review
  - Review and make recommendation to Board for Electronic Fund Transfer rule
  - Review and make recommendation to Board for Public Employer Risk Reduction Program (PERRP) rule
  - Review and make recommendation to Board for Ethics rule
4. FY 08 1<sup>ST</sup> Quarter Executive Summary  
Joe Bell

**Discussion Items\***

1. Audit Committee Annual Calendar Update  
Ken Haffey
2. Internal Audit Legislative Update  
Joe Bell, Chief of Internal Audit
3. Open Discussion with Internal Auditor

\* Not all discussion items have materials included.

Adjourn

**Next Meeting: December 19, 2007 4:00 pm – 6:00 pm**

OHIO BUREAU OF WORKERS' COMPENSATION

FISCAL YEAR 2008  
1<sup>ST</sup> QUARTER  
EXECUTIVE SUMMARY

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INTERNAL AUDIT DIVISION

JOE BELL, CHIEF OF INTERNAL AUDIT  
RICHARD RIDWOOD, IT AUDIT DIRECTOR, INTERNAL AUDIT  
KEITH ELLIOTT, SENIOR MANAGER, INTERNAL AUDIT

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**MEMORANDUM**

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TO: Audit Committee Members

FROM: Joe Bell, Chief of Internal Audit

DATE: November 20, 2007

RE: FY 08 1<sup>st</sup> Quarter Executive Summary report

Following you will find the Fiscal Year 2008 1<sup>st</sup> Quarter Executive Summary report containing:

1. Audit comment status
  - 1a. Comments issued 1<sup>st</sup> quarter
  - 1b. Comments outstanding as of September 30, 2007
2. Audit follow-up procedures
3. Audit comment rating criteria
4. Updated FY 08 Audit Plan

BWC INTERNAL AUDIT DIVISION  
 COMMENTS ISSUED – 1<sup>ST</sup> QUARTER ACTIVITY

**Personal Trading Policy Consulting Project – October 2007**

**Business area:** Investment

This consultation project revealed the need for additional controls to reduce the risk of inappropriate use of nonpublic trading information by BWC employees for personal gain.

	Recommendation	Disposition
1	Establish a Personal Trading Compliance Committee to develop a personal trading policy and ongoing monitoring procedures for BWC. <b>Significance Rating: Significant Weakness</b>	BWC management agrees to establish a personal trading policy committee for certain identified employees of the BWC. The committee will include the Chief Ethics Officer, Chief Legal Officer and Chief Human Resources Officer with consultation provided by the Investment and Internal Audit Divisions. <b>Responsible Chief: Chief Investments Officer and Chief Ethics Officer</b> <b>Target Resolution Date: Committee formation – October 2007; Policy implementation – To be determined by committee</b>

**Investment Reconciliation Consulting Project – October 2007**

**Business area:** Investment and Finance

This investment reconciliation consulting project involved a review of reconciliation processes for accounts holding BWC securities or investment related cash flows. The scope of this engagement was to obtain an understanding of investment reconciliation processes and assess the adequacy of the design of controls.

	Recommendation	Disposition
1	Ensure transferred assets are reconciled between BWC, external investment managers, and the custodian. Develop policies and procedures that require the custodian to revalue transferred securities upon settlement and reconcile with the BWC and target manager. <b>Significance Rating: Significant Weakness</b>	Developed procedures to ensure that required reconciliations are completed for each transition. These procedures ensure no assets are transferred or authorization given to begin trading until approval is received from Finance. <b>Responsible Chief: Chief Investments Officer</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: Implemented</b>
2	Enhance month-end reporting standards placed on external investment managers and require them to report detailed holdings data. Reconcile returns calculated by the BWC's performance provider to those calculated by the external investment managers on a monthly basis. <b>Significance Rating: Significant Weakness</b>	Financial Reporting has been completing month-end holdings reconciliations between BWC's Investment Accounting System and the external investment managers. Performance data reported by the external managers is currently being reconciled by the custodian as part of their performance reporting contract. <b>Responsible Chief: Chief Financial Officer</b> <b>Target Resolution Date: December 2007</b>

## Transfer Authority to External Managers Consulting Project – October 2007

**Business area:** Investment and Finance

This consultation project revealed the need for additional controls to reduce the risk of inappropriate use of transfer authority by external investment managers, including the custodian and transition manager.

	Recommendation	Disposition
1	<p>Revise policies and procedures to prohibit the granting of authority to transfer assets between agency accounts to external investment managers, including transition managers. Ensure segregation of duties by limiting the Investment Division to transaction initiator and Finance Division to transaction facilitator.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>In March 2007, a new policy required the Investment Division to request that Financial Reporting initiate and authorize the opening and/or closing of sub-accounts. Dual signatures are required for all initial and subsequent manager funding transfers. A new transition process has been initiated to address the transfer of any invested assets.</p> <p><b>Responsible Chief: Chief Investments Officer and Chief Financial Officer</b>  <b>Target Resolution Date: October 2007</b>  <b>Current Resolution Status: Implemented</b></p>

## Vocational Rehabilitation Audit– October 2007

**Business area:** Medical Services

The audit of the Vocational Rehabilitation process was initiated at the request of the former Chief of the Medical Services Division. The timing of our review also coincided with management's initiation of a workgroup aimed at evaluating and improving the Vocational Rehabilitation process.

**Activity Reviewed:**

- Evaluated if current internal controls were adequately designed;
- Determined if processes performed were in compliance with established policy and procedures; and
- Assessed the adequacy of quality assurance procedures in place.

	Recommendation	Disposition
1	<p>Implement processes to review the actual vocational rehabilitation costs billed in claims for reasonableness and appropriateness.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Management will establish controls to monitor the appropriateness of costs billed for vocational rehabilitation services.</p> <p><b>Responsible Chief: Chief of Medical Services and Compliance</b>  <b>Target Resolution Date: April 2008</b></p>
2	<p>Take steps to eliminate the potential conflict of interest created by Managed Care Organizations (MCOs) that refer vocational rehabilitation cases to their related companies.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Management is implementing a recommendation included in the Rehabilitation Redesign Proposal, which suggested BWC resume responsibility for the referral of vocational rehabilitation cases, determination of feasibility, and authorization of vocational rehabilitation services.</p> <p><b>Responsible Chief: Chief of Medical Services and Compliance</b>  <b>Target Resolution Date: October 2008</b></p>
3	<p>Formalize policy regarding the authority of the Disability Management Coordinators (DMCs) to challenge MCO feasibility determinations.</p>	<p>Management is implementing a process requiring written authorization by the DMC of the feasibility and service provider recommendations.</p>

	<b>Recommendation</b>	<b>Disposition</b>
	<b>Significance Rating: Material Weakness</b>	<b>Responsible Chief: Chief of Medical Services and Compliance</b> <b>Target Resolution Date: October 2008</b>
4	Implement controls over the coordination agreement with the Rehabilitation Services Commission (RSC) to ensure costs expended under that program are only incurred for eligible injured workers and are reasonable and appropriate. <b>Significance Rating: Material Weakness</b>	Management is working with RSC to implement additional reporting requirements, which include itemized reporting of services received by each injured worker and the related costs. <b>Responsible Chief: Chief of Medical Services and Compliance</b> <b>Target Resolution Date: June 2008</b>
5	Establish effective quality assurance review procedures to ensure various controls and activities performed by DMCs are proper, timely, and in accordance with policies and statutes. <b>Significance Rating: Significant Weakness</b>	Rehabilitation Policy will work with the BWC Field Operations area to develop DMC performance measures. <b>Responsible Chief: Chief of Medical Services and Compliance</b> <b>Target Resolution Date: June 2008</b>
6	Implement written procedures for establishing reimbursement rates for vocational rehabilitation services and for periodically reviewing and updating such rates. <b>Significance Rating: Significant Weakness</b>	Management is developing a new process which will require a review of the vocational rehabilitation service reimbursement rates every two years to ensure that such rates are appropriate. <b>Responsible Chief: Chief of Medical Services and Compliance</b> <b>Target Resolution Date: March 2008</b>
7	Review credentialing and position requirements for DMC positions and ensure individuals possess the qualifications to manage the vocational rehabilitation process. Establish a process to monitor DMC certifications to ensure the required credentials are maintained. <b>Significance Rating: Significant Weakness</b>	Management has drafted a revised position description for DMCs and is working with the BWC Human Resources Division to implement the recommended changes. <b>Responsible Chief: Chief of Medical Services and Compliance</b> <b>Target Resolution Date: March 2008</b>

**Auditor Opinion:**

Overall, established policy and procedures were inadequate and internal controls and quality assurance procedures for the Vocational Rehabilitation processes were not adequately designed.

Compliance testing performed did not identify any significant non-compliance issues, other than the need to improve controls over the appropriateness of billings for vocational rehabilitation services. Compliance testing primarily focused on eligibility and feasibility determinations, timeliness of contacts, reasonableness and necessity of services, and accuracy of bills and payment coding.

To enhance efficiency and effectiveness, below are several areas identified for improvement:

- Ensure adequate monitoring of the appropriateness of billings for vocational rehabilitation services;
- Enhance controls to guard against inappropriate referral of cases for rehabilitation;
- Develop controls to ensure that funds provided to RSC are utilized only for properly authorized injured workers and that such services are reasonable and appropriate; and
- Establish formalized quality assurance review processes for work performed by DMCs.

In addition to our audit of the Vocational Rehabilitation processes, management convened a workgroup to examine this process and issue recommendations for improvement. We provided the workgroup with a summary of the preliminary findings from our audit for review and consideration. Many of the recommendations issued by that workgroup further support our suggestions for improvement.

## MCO Audit #1 – October 2007

**Business area: Medical Services**

We conducted an onsite audit of a MCO that focused primarily on the evaluation of internal controls and compliance with contractually required policies and procedures established by BWC.

**Activity Reviewed:**

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

	Recommendation	Disposition
1	Revise computer back-up procedures to ensure proper policies, procedures, and safeguards are in place to minimize the potential for loss or theft of confidential information. <b>Significance Rating: Material Weakness</b>	MCO management contacted BWC in regards to using an external vendor for off-site data storage and BWC's Legal Division has provided feedback. BWC Legal and Medical Service staff provided direction in November 2007. The MCO is working with an external vendor to implement a solution. <b>Target Resolution Date: January 2008</b>
2	Take steps to ensure that the provider account is completely reconciled as required per the contract. <b>Significance Rating: Significant Weakness</b>	MCO management has taken steps to ensure that the provider account was reconciled. <b>Target Resolution Date: August 2007</b> <b>Comment Resolution Status: Implemented</b>
3	Revise procedures to require the logging of incoming checks immediately upon receipt. <b>Significance Rating: Significant Weakness</b>	Implemented the recommended procedure immediately following the on-site audit. <b>Target Resolution Date: July 2007</b> <b>Comment Resolution Status: Implemented</b>
4	Implement controls to ensure compliance with requirements for the review of provider bills exceeding \$10,000 to provide assurance that such payments are appropriate. <b>Significance Rating: Significant Weakness</b>	Hospital bills over \$10,000 are now being reviewed and signed off on by a physician, per BWC policy. <b>Target Resolution Date: July 2007</b> <b>Comment Resolution Status: Implemented</b>
5	Implement an independent quality assurance review process to ensure accurate and complete entry of provider bills. <b>Significance Rating: Significant Weakness</b>	A balancing/comparison of bills against data input have been implemented to catch keying errors prior to submission to BWC for payment. <b>Target Resolution Date: July 2007</b> <b>Comment Resolution Status: Implemented</b>
6	Implement controls to ensure provider bills in excess of \$10,000 are submitted to BWC within the seven day contract requirement. <b>Significance Rating: Significant Weakness</b>	Implemented a procedure to submit outpatient bills for which all required documentation was not submitted by the provider, rather than holding the bills while waiting on documentation. <b>Target Resolution Date: October 2007</b>
7	Implement controls ensuring that adjustments are submitted to BWC within the contractually required timeframe.	Management implemented an internal auditing system to ensure that the 10 day mandate is met. <b>Target Resolution Date: October 2007</b>

	Recommendation	Disposition
	<b>Significance Rating: Significant Weakness</b>	
8	Implement controls to ensure that the peer review process for adjustments occurs before the adjustments are forwarded to BWC for processing. <b>Significance Rating: Significant Weakness</b>	MCO management met with the billing team immediately following the on-site audit and reinforced the importance of the peer review and validation prior to faxing the adjustment to BWC. <b>Target Resolution Date: July 2007</b> <b>Comment Resolution Status: Implemented</b>
9	Modify password requirements to include industry standard length and composition and implement consistent password change requirements to minimize the potential for unauthorized or inappropriate access to computer systems. <b>Significance Rating: Significant Weakness</b>	Implemented this recommendation immediately following the on-site audit. <b>Target Resolution Date: July 2007</b> <b>Comment Resolution Status: Implemented</b>
10	The Supervisor should maintain documentation providing a history of claim file reviews. <b>Significance Rating: Significant Weakness</b>	Implemented this procedure following the on-site audit and is in the process of developing a log detailing a list of the reviewed claims to assist in monitoring. <b>Target Resolution Date: November 2007</b>

**Auditor Opinion:**

Overall, internal controls have improved since the last audit and management appears committed to quality performance of their responsibilities. With regard to testing of case management, plans appeared to be prepared in a timely manner and responses to requests or motions appeared reasonable. Response requirements for alternative dispute resolution cases were generally met, with a few exceptions. Resolution of outstanding or voided checks and segregation of duties for the provider account was reasonable. In addition, the MCO appeared to be taking action to resolve prior audit findings.

There were several areas identified for improvement:

- Reconciliation of the provider account and tie out of bank balances to the transactions comprising those balances;
- Controls over access to systems, computer back-up procedures, and safeguarding of confidential information;
- Controls over cash receipts;
- Data integrity controls for accuracy of bills and adjustments;
- Timeliness of submission of bills and adjustments; and
- Documentation of supervisory quality assurance review procedures.

**Purchasing Process Operational Audit – September 2007**

**Business area:** Finance

We conducted an operational audit of the purchasing process and the scope included the initiation of requests to purchase (RTPs) to the generation of purchase orders, examining transactions during the period July 1, 2005 through June 30, 2006.

**Activity Reviewed:**

- Assess the purchasing process to ensure compliance with state law and OBM and BWC policy; and
- Assess whether internal controls are adequately designed and placed in operation.

	<b>Recommendation</b>	<b>Disposition</b>
1	Implement controls to prevent or detect unauthorized purchase order modifications. <b>Significance Rating: Significant Weakness</b>	Management agrees that the condition existed in CAS that permitted Purchasing staff to modify the purchase order without authorization. However, with the implementation of OAKS in July 2007, this condition no longer exists. No purchase order can be increased without a change order that has been appropriately approved. <b>Comment Resolution Status: Implemented</b>

**Auditor Opinion:**

In general, internal controls over the purchasing process were well designed, placed in operation, and appeared adequate to provide reasonable assurance of compliance with state laws regarding agency purchases. Observations identified during the audit were primarily of minor significance.

**BWC INTERNAL AUDIT DIVISION**

**OUTSTANDING COMMENTS AS OF SEPTEMBER 30, 2007**

**“Death Bed” Settlements – October 2003**

	<b>Recommendation</b>	<b>Disposition</b>
1	<p>The current settlement process contains no mechanism to help identify terminal conditions of injured worker (IW) attempting to settle their claims. As a result, we have seen instances in which injured workers die within the 30 day cooling off period or shortly after the settlement as the result of terminal conditions of which we were not aware. As a result, management based the settlements on normal life expectancies and overpaid for the settlements.</p>	<p>BWC implemented an affidavit process in which IWs settling Permanent Total Disability (PTD) or death claims must sign an affidavit indicating that they have no known health conditions that may result in a reduced life expectancy. If the IW cannot sign the form, the BWC Claims Service Specialists (CSS) follow-up to obtain medical documentation regarding their condition and prognosis. This information is then factored into the value of the settlement. The Policy Unit is working on adding disposition of that information to policy.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-Process</b></p>

**New Policy Application Process Audit – November 2003**

	<b>Recommendation</b>	<b>Disposition</b>
1	<p>Current premium security deposit methodology (PSD) inadequately protects against employers that obtain coverage and never report payroll or pay their premiums. The maximum PSD was set at \$1,000 in 1978 and never adjusted, providing inadequate coverage for larger state fund employers with hundreds of thousands of annual premiums. Also, BWC does not lapse employers not paying their full PSD.</p>	<p>Finance has reviewed the recommendation to increase the PSD maximum. In light of the current funding in the Premium Payment Security Fund and the premium security deposits, management believes these funds provide adequate protections against employers that fail to pay the amounts owed. Regarding the recommendation that BWC modify the premium collection methodology to either an installment approach, or a quarterly approach, management submitted a request to the legislature requesting the ability to implement prospective billing. However, the recommended language was not included in the budget bill approved by the legislature. Finance performed a cost/benefit analysis of moving from semi-annual payment so quarterly payments. While there would be some benefits (such as increased interest income, better cash flow) the cost to process quarterly would double the cost now incurred for semi-annual processing. In addition, this would require a legislative change. In the previous budget bill, management decided not to pursue this change to the ORC.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Current Resolution Status: Not implemented</b></p>

### Non-Complying Employer Audit – August 2004

	Recommendation	Disposition
1	BWC currently does not lapse employers that do not pay all premium amounts owed within a designated time period. While the remaining balances are certified to the Attorney General for collection, the employer continues to have active coverage. This is contrary to industry standard practice.	BWC received the legislative authority to implement this change. BWC management is working with IT and other divisions to determine how best to implement a solution. <b>Designated Chief: Chief Financial Officer</b> <b>Targeted Resolution Date: December 2007 (IT related)</b> <b>Current Resolution Status: In-process</b>

### Direct Billing – January 2005

	Recommendation	Disposition
1	Since November 2002, approximately \$496,000 of cancelled warrants have not been adjusted for SIEGF and Surety company billings. Failure to adjust for the cancelled warrants effectively results in over-billing to these entities.	A report was generated for cancelled/voided warrants that had been charged to the SIEGF during the period of 7/1/2006 - 12/31/2006. The amount was posted to the general ledger effective 2/28/2007. A similar transaction for the period 12/1/2002 - 6/30/2006 is to be posted sometime in the next two months, with quarterly adjustments following. Cancelled/voided warrants that were charged to surety companies since December 2002 have also been reviewed and an adjusting entry. This is on target to be completed by the end of September. <b>Designated Chief: Chief Financial Officer</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: In-process</b>

### MDL and Capital Coin Fund Control Review – June 2005

	Recommendation	Disposition
1	Establish processes to monitor activities of investment managers to ensure compliance with agreements.	Coordinated with Wilshire Consulting and developed compliance and monitoring procedures for Private Equity Managers. Developed compliance and monitoring procedures for all other Investment Managers which will include manager mandate compliance as well as BWC's overall compliance to asset allocation per the current Investment Policy. These compliance procedures will build upon the planned investment accounting system which will include the ability to develop various compliance monitoring reports. Completed compliance procedures applicable to passive managers. The selection of active managers has been intentionally extended for several reasons. It is not anticipated that any active managers will be engaged until 1Q 2008. <b>Designated Chief: Chief Investment Officer</b>

	Recommendation	Disposition
		<b>Target Resolution Date: December 2006 (Passive Managers Policies and Procedure); December 2007 (Active Managers Policy and Procedures)</b> <b>Current Resolution Status: In-process</b>
2	Establish controls ensuring that the Board of Directors is informed of and approves significant changes in investment strategy by approved managers or funds.	Modifying policies and procedures to require Investment Committee or Board approval of significant changes in investment strategies by approved managers or funds. Discuss with the Investment Committee a possible revision to the Investment Policy Statement to include approval of such changes in the section (III.A currently) outlining the Board's responsibilities. The Investment Division, with the assistance of the BWC Finance and Legal Divisions, will develop control procedures to ensure that such approvals are obtained. Any investment exceptions will be communicated to the Investment Committee at the next scheduled meeting, or earlier if warranted. <b>Designated Chief: Chief Investment Officer</b> <b>Target Resolution Date: December 2007 (Policies and Procedures); December 2007 (Investment Policy Statement Modification/Control Implementation)</b> <b>Current Resolution Status: In-process</b>

**Disability Evaluators Panel (DEP) Audit – July 2005**

	Recommendation	Disposition
1	We noted 40% error rates for the entry of notes in V3 for DEP exams/file reviews; 32% of claims had no exam worksheets imaged in V3; also noted a 67% error rate in updating the report receipt status in V3.	The training portions of the recommendations were implemented. The recommended audit process for monitoring error rates was implemented. Each supervisor will audit each exam scheduler on a minimum of four exams per month. Service office managers will review management reports for their service offices to identify problem areas and trends with management team. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: Implemented</b>
2	During the review, we identified unusual trends in scheduling exams or file reviews with certain administrative agents and/or providers (i.e., high % of exams all scheduled with one provider/Admin Agent). One administrative agent received 32% of all Admin Agent scheduled exams compared with next highest of 9%.	An audit program was built for supervisors to audit all exams scheduled to help identify delays in the exam scheduling process. This tool will also help to identify quality of exam packets, physician selection and overall consistency across all disciplines. A data warehouse report was designed to assist in monitoring the exam scheduling process. Specific tools to address the proper use of Administrative Agents were implemented and appear to be functioning as intended. <b>Responsible Chief: Medical Services and</b>

	Recommendation	Disposition
		<p>Compliance Chief  Target Resolution Date: September 2007 (Medical Operations); December 2007 (IT related)  Current Resolution Status: In-process</p>

**Bankrupt Self-Insured Claims – March 2006**

	Recommendation	Disposition
1	<p>Consider a legislative change to permit BWC to offset PTD compensation for an injured worker receiving Social Security Retirement benefits, potentially saving \$60 million annually; “grandfather-in” current PTD recipients receiving both benefits to avoid financial hardship to those individuals.</p>	<p>This requires legislative change. BWC will evaluate and develop a plan to include a full study and analysis that will be presented to the Board of Directors.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>

**Medical Billing and Adjustments (MB&A) – May 2006**

	Recommendation	Disposition
1	<p>There is a general lack of controls over the identification and processing of medical bill adjustments which result in the need to adjust the employers’ claims experience data.  <b>Significance Rating: Significant Weakness</b></p>	<p>The Actuarial Division is working with IT to systematically identify adjustments which are not automatically incorporated into the employer’s experience. This will allow the Actuarial Department to perform adjustments.  <b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: March 2008 (IT related)</b>  <b>Current Resolution Status: In-process</b></p>
2	<p>Application system security issues were identified involving inadequate system security profiles to ensure proper segregation of duties was maintained. Individuals possessed access to process medical bills and adjustments that no longer required such access. Segregation of duties issues related to individuals with both the ability to update the provider master file and process payments, which increases the potential for inappropriate or fraudulent payments.  <b>Significance Rating: Significant Weakness</b></p>	<p>IT corrected the incompatible system access capabilities. IT modified the system access review process to annual reviews of all system user access capabilities and is in the process of completing the first reviews of all users.  <b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: February 2008 (IT related)</b>  <b>Current Resolution Status: In-process</b></p>
3	<p>To ensure the current interest payment methodology operates in accordance with statutory requirements, obtain clarification regarding the correct interest payment calculation and ensure MIIS and Cambridge Systems calculations are consistent.  <b>Significance Rating: Significant Weakness</b></p>	<p>Legal opinion was received. Changes to bring the interest calculation in Cambridge into compliance will be included in the December 2007 release.  <b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: December 2007(IT related)</b>  <b>Current Resolution Status: In-process</b></p>
4	<p>There are currently two active systems in place for processing medical payments with limited IT and HPP technical support. Maintenance of the two systems is</p>	<p>The Provider Master project is the first step in shutting down MIIS. Provider Master is not scheduled to be completed until 2008.</p>

	Recommendation	Disposition
	inefficient and results in increased systems maintenance costs. <b>Significance Rating: Significant Weakness</b>	<b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: June 2008 (IT related)</b> <b>Current Resolution Status: In-process</b>

**Risk/Employer Operational Review – June 2006**

	Recommendation	Disposition
1	Policy and procedures were not written for most functions and activities. <b>Significance Rating: Significant Weakness</b>	Policies and procedures are in development by the Policy Processing and EM Policy departments. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
2	BWC does not ensure all employers under jurisdiction of Ohio workers' compensation laws have obtained workers' compensation coverage. Systematic cross checks should exist with other state agencies. <b>Significance Rating: Material Weakness</b>	An employer compliance project team has been established to document all BWC operations and processes related to employer compliance with workers' compensation laws and policies. The team will evaluate existing processes and recommend potential improvements for establishing a comprehensive employer compliance function within BWC. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: June 2009</b> <b>Current Resolution Status: In-process</b>
3	Minimum premiums may not be adequate. The recently revised Ohio Administrative Code Section 4123-17-26, (administrative charge rule) has been increased to cover the administrative expense of maintaining the policies that report no payroll. However, there is still inherent risk with the policies that have greater exposure due to industry type. <b>Significance Rating: Material Weakness</b>	The minimum premium amount was addressed by the Employer Services department which led to an increase in the minimum premium from \$10.00 per half to \$50.00 per half. The Actuarial Division will include this item in the RFP that requires BWC to hire an external actuary or other consultant to look at policy and procedures such as this as mandated in House Bill 100. The RFP is scheduled to be issued in December 2007. The consultant's report is expected by December 2008. <b>Designated Chief: Chief Actuarial Officer</b> <b>Target Resolution Date: December 2007 (RFP issuance); December 2008 (consultant report)</b> <b>Current Resolution Status: In-process</b>
4	Current process controls do not adequately identify duplicate employer policies. Employers can avoid higher premiums by acquiring a new policy, while having an existing policy for the same business. <b>Significance Rating: Significant Weakness</b>	Account Examiner hired in 2006 to complete quality reviews in the Policy Processing department. System enhancements are on schedule. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: September 2007 (IT related)</b> <b>Current Resolution Status: In-process</b>
5	When payroll reports are received there is no review to determine if estimated Premium Security Deposits are correct. The lack of review could result in lost revenue due to under reported estimates for premium security deposits.	Obtained confirmation to proceed with updating the amount of PSD on individual policies. This project will be prioritized by WCIS Business Management Team in September. <b>Responsible Chief: Chief of Customer Services</b>

	Recommendation	Disposition
	<b>Significance Rating: Significant Weakness</b>	<b>Target Resolution Date: June 2008 (IT related)</b> <b>Current Resolution Status: In-process</b>

**Time Reporting and Leave Usage – August 2006**

	Recommendation	Disposition
1	Management should conduct research to determine the reason for modifications to ending leave balances. Policies and procedures for these modifications should be reviewed to ensure that only properly authorized and valid adjustment entries are posted. <b>Significance Rating: Significant Weakness</b>	Management is researching the discrepancies noted in the audit and will post corrected entries if necessary. In addition, management will follow-up with account clerks and payroll officers to ensure that any payroll adjustments are properly documented. To improve controls, management will request reports of such transactions from the Department of Administrative Services (DAS). <b>Designated Chief: Chief Human Resources Officer</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
2	Develop controls to validate that payroll report information is entered accurately and completely into the database system and that the amounts in the payroll disbursement journals agree with the information on the payroll reports. <b>Significance Rating: Significant Weakness</b>	The implementation of OAKS has addressed the issue of key entry errors, as employee time information is now entered electronically and approved by department managers. Once approved the information is downloaded into the payroll system. Management is performing adjustments to correct these errors. <b>Designated Chief: Chief Human Resources Officer</b> <b>Target Resolution Date: October 2007</b> <b>Current Resolution Status: In-process</b>

**Average Weekly Wage/Full Weekly Wage Payment Rates – September 2006**

	Recommendation	Disposition
1	To ensure correct benefit payments to injured workers, management should implement effective quality assurance reviews to be performed on a periodic basis to provide a reasonable assurance that wage documentation submitted is sufficient and valid, and that wages are input accurately and completely in a timely manner. <b>Significance Rating: Material Weakness</b>	Injury Management Supervisors (IMS) facilitate a review of claims to ensure that wages are set accurately, notes entered regarding the request of wage information and that wage documentation is imaged into the claim. System Change Controls to ensure wages are entered correctly is on schedule. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007 (IT related)</b> <b>Current Resolution Status: In-process</b>
2	To avoid inappropriate overrides, implement additional controls, such as quality assurance reviews, to ensure that manual overrides of wage rates are valid and processed accurately. Policy should be	Policy updates were initially completed early 2007. Service Office Managers are completing claim audits of payments made by the IMS. In addition, Field Operations is creating a data warehouse report to

	Recommendation	Disposition
	updated to require sufficient documentation to be evidenced in the claim file to support the reasons for manual overrides. <b>Significance Rating: Significant Weakness</b>	identify offices, teams, or supervisors with higher-than-average number of manual overrides. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
3	To avoid incorrect Full Weekly Wage (FWW) rate calculations, management should remind Claim Service Specialists the significance of accurately and completely populating the "FWW Information Box". Consider implementing quality assurance procedures to ensure information is being populated in accordance with procedures outlined in BWC training material. <b>Significance Rating: Significant Weakness</b>	The Full Weekly Wage is audited and reviewed by the IMS through the Claims Audit Tool prior to the first payment being released. An additional system change has been submitted which will require dual entry of wage information. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007 (IT related)</b> <b>Current Resolution Status: In-process</b>
4	Take steps to resolve the inconsistencies noted between BWC policy and V3 system calculations of AWW/FWW payment rates. <b>Significance Rating: Significant Weakness</b>	Policy updates were completed in January 2007. The System Change Control request has been reviewed and scheduled. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007 (IT related)</b> <b>Current Resolution Status: In-process</b>
5	To avoid inaccurate payments to injured workers, management should consider reprogramming the V3 system wage calculations for yearly wage frequencies. The system should divide by the actual number of years input into the wages screen rather than only using the date of injury as a basis for the number of years to divide by. <b>Significance Rating: Significant Weakness</b>	Policy updates were completed in January 2007 and based on the changes in policy no system enhancement was needed to address yearly wage calculations. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: Implemented</b>

### Medical Bill Payment Controls – September 2006

	Recommendation	Disposition
1	System edit checks exist yet inappropriate or fraudulent provider billings still occur within the system. Consider the feasibility of implementing clinical editing software and an Explanation of Benefits process as added controls in guarding against inappropriate or fraudulent provider billing. <b>Significance Rating: Significant Weakness</b>	HPP System Support Department developed queries to identify provider billed amounts over established thresholds which are run and reviewed daily. Management developed a query to identify paid bills greater than established threshold levels and has initiated quarterly reviews. Legal is completing the contracting phase of clinical editing software. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: January 2007 (MCO contract); December 2007 (clinical editing)</b> <b>Current Resolution Status: In-process</b>

### Claims Operational Review – September 2006

Recommendation	Disposition
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Recommendation		Disposition
1	Implement a policy to require proof of identity when filing a claim or when making critical demographic updates. <b>Significance Rating: Significant Weakness</b>	The Release of Information Policy now contains a section on requesting ID from the Injured Worker. This was in response to SB07. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
2	Discontinue performing functions that are the primary responsibility of the MCOs. <b>Significance Rating: Significant Weakness</b>	Management will re-evaluate the roles and responsibilities for entering and investigating new claims to avoid duplication of efforts. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: June 2008</b> <b>Current Resolution Status: In-process</b>
3	Systematically assign new injury claims filed with no return to work date and an ICD-9 code to the lost time service offices. <b>Significance Rating: Significant Weakness</b>	A System Change Control has been submitted to assign more severe claims directly to the Field based on Triage Logic. A team of subject matter experts has been formed to define business requirements and discuss the Triage Logic. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: June 2008 (IT related)</b> <b>Current Resolution Status: In-process</b>
4	Enhance current V3 system to link an injured worker with multiple claims to the same case manager or team. <b>Significance Rating: Significant Weakness</b>	A work allocation study is in process. Claim assignment, team profiles, and workload balancing are to be addressed in a V3-Inefficiencies project. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: June 2008</b> <b>Current Resolution Status: In-process</b>
5	Enact policy changes requiring that V3 and insurance searches are performed on all new injury claims filed. <b>Significance Rating: Significant Weakness</b>	The ISO policy was updated in August 2007. Managers are receiving reports to assure all new claims have had this search. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: September 2007 (IT related)</b> <b>Current Resolution Status: Implemented</b>
6	Research, benchmark, and devote the resources necessary to create, train, and implement the use of pertinent, financially focused performance and outcome measurements to support the staffing process. <b>Significance Rating: Significant Weakness</b>	The staffing policy has been revised. The committee on staffing submitted recommendations to management. Those recommendations are on hold pending the results of allocation studies and manpower cost reviews. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: June 2008</b> <b>Current Resolution Status: In-process</b>
7	Develop written procedures and work flows that are standardized throughout the operational areas and field offices. <b>Significance Rating: Significant Weakness</b>	A standard process map format is used to oversee continuous enhancements and create repositories for employee usage. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>

## Manual Override – October 2006

Recommendation		Disposition
1	<p>Resolve the current rating inequity between group rated and non-group rated employers. Management should also adopt standard controls to prevent rate manipulation by employer groups. Possible corrective actions could include restoring credibility factors assigned to employer groups to levels consistent with sound actuarial standards and prohibiting groups from utilizing claims experience as an eligibility criterion for group participation.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>BWC has taken action to resolve the inequities in the group-rating program. The highly technical resolution will involve rationalizing the subsidies to achieve actuarial soundness, moving to a new methodology for experience modification and amending the rules regarding how groups are formed. BWC convened a workgroup comprised of injured worker representatives, employers, legislators, and third-party administrators. In September 2007, the Board of Directors adopted the Administrator's recommendation to lower the maximum discount rate for employers from 90 percent to no less than 80 percent for the 2008 rate year. BWC staff will work with the BWC Board of Directors to outline long-term solutions to establish greater premium equity for all Ohio employers, while also taking immediate and meaningful steps to more closely align the maximum allowable discount with multiple actuarial analyses.</p> <p><b>Responsible Chief: Chief Actuarial Officer</b>  <b>Target Resolution Date: December 2006 (actuarial study); July 2009 (implementation plan)</b>  <b>Current Resolution Status: In-process</b></p>

## Indemnity Claims Overpayment Audit – October 2006

Recommendation		Disposition
1	<p>Implement quality assurance reviews to provide assurance that overpayments are properly documented and are adjusted accurately and completely.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Management has implemented an overpayment checklist and modified the compensation audit tool to include questions regarding overpayments. In addition, Field Operations has submitted a System Change Control and enhancements are scheduled to be released in June 2007. General overpayment data has been linked to Data Warehouse and reports are being created to ensure overpayments are being addressed.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: October 2007 (Field Operations); December 2007 (IT related)</b>  <b>Current Resolution Status: In-process</b></p>
2	<p>Implement processes to provide reasonable assurance that absorption rates temporarily set to 0% or 100% are subsequently changed to the appropriate rates.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>A System Change Control request was implemented in June 2007 allowing reviews of accuracy of absorption rates. Management is creating reports to identify claims with overpayments as well as developing a quality assurance process for overpayments.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: December 2007 (IT</b></p>

Recommendation		Disposition
		related) <b>Current Resolution Status: In-process</b>
3	In order to ensure the required employer experience adjustments are performed, develop a process to ensure all claims that meet the criteria requiring a referral to the Employer Rate Adjustment (ERA) Unit are identified and forwarded to the ERA Unit. <b>Significance Rating: Significant Weakness</b>	The overpayment checklist can be adjusted to include a check box for notification to Employer Rate Adjustment Unit if appropriate. The checklist is being reviewed for correct verbiage and then will be deployed to all Field Staff. Claims Policy will review this issue during the Over Payment policy review. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
4	Implement a process to proactively identify claims that may contain potential overpayments. <b>Significance Rating: Significant Weakness</b>	Management is working with IT to develop reports identifying claims containing possible overpayments and developing a quality assurance process for overpayment accuracy. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
5	Implement procedures requiring supervisory review and approval of requests for the removal or adjustment of overpayment amounts. <b>Significance Rating: Significant Weakness</b>	Current practice now requires the IMS to review and approve requests to adjust overpayments in V3. In addition, neither the CSSs nor the IMSs have the system capability to perform adjustments to overpayments in V3. Policy changes governing the modified process will be released in November 2007. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: November 2007 (policy)</b> <b>Current Resolution Status: In-process</b>
6	To effectively collect injured worker overpayments, determine best practices for injured worker overpayment collection and request legislative changes allowing the BWC to adopt the best practices identified. <b>Significance Rating: Significant Weakness</b>	Management will benchmark with other jurisdictions' policies and procedures for addressing injured worker overpayments and develop a plan for implementing necessary changes. <b>Responsible Chief: Chief Financial Officer</b> <b>Target Resolution Date: January 2008</b> <b>Current Resolution Status: In-process</b>

**Electronic Funds Transfer and Electronic Benefits Transfer  
Account Processing – October 2006**

Recommendation		Disposition
1	Terminate EFT system access rights for separated individuals or positions no longer requiring such access. <b>Significance Rating: Significant Weakness</b>	Business leads can now review and refine access requirements as they change with each individual's assignments. Also, the yearly review of access needs for all personnel are being performed. Service offices are the first to be reviewed. They will be followed by other areas on a scheduled rotation. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: Implemented</b>

## Lump Sum Advancements Audit – March 2007

	Recommendation	Disposition
1	<p>Improve controls and implement monitoring reports to ensure the rate of payment is reset to the original rate once the advancement has been repaid. <b>Significance Rating: Significant Weakness</b></p>	<p>Policy updates were made that require the CSS to review the LSA payment plan at the conclusion of the paid out award and to ensure the rate adjustment has been made to reflect the original rate. It was determined that Data Warehouse would not be available to provide the information needed. Field Operations will work with IT to create a management report. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations (QA; IT Related) – December 2007; Claims Policy – July 2007</b> <b>Current Resolution Status: In-process</b></p>
2	<p>Implement improved quality assurance procedures to provide reasonable assurance that LSAs are being processed in accordance with BWC policy and procedures. <b>Significance Rating: Significant Weakness</b></p>	<p>Based on validation results, Field Operations will modify requirements to allow audits of all LSAs greater than \$10,000 with a random audit of LSAs under \$10,000. Policies will also be modified. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b></p>
3	<p>Implement a preventative systemic control which prohibits the CSS from paying more than two concurrent LSAs in a claim. Additionally, update policy to clarify that the type of compensation is not a factor when determining the total number of LSAs running concurrently in a claim. <b>Significance Rating: Significant Weakness</b></p>	<p>Field Operations will submit a change request to have a pop-up box appear if there are two concurrent LSA plans and the CSS attempts to build an additional plan. Management has updated the policy to reflect the determined solution. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations (QA; IT Related) – December 2007; Claims Policy – July 2007</b> <b>Current Resolution Status: In-process</b></p>

## Compensation Audit Review – March 2007

	Recommendation	Disposition
1	<p>Take appropriate steps to provide reasonable assurance that the Service Office Managers (SOMs) are auditing the appropriate number of claim payments made by IMSs as outlined in current BWC policy. <b>Significance Rating: Material Weakness</b></p>	<p>Management implemented new policy requirements to ensure that all IMS payments are audited by the Service Office Managers or their designees. Field Operations reinforced the refresher course and policy requirements for auditing all IMS payments in July 2007. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: November 2007</b> <b>Current Resolution Status: In-Process</b></p>
2	<p>Implement controls on Compensation Audits completed by the IMSs/SOMs to provide reasonable assurance that audits are completed accurately and consistently. Also, take appropriate steps to ensure IMSs are properly utilizing the Compensation Audit</p>	<p>On a monthly basis, the SOM or designee will review IMS audits performed for compliance. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations – April 2007; Field Operations (QA Related) – December</b></p>

	Recommendation	Disposition
	Tool and apply a consistent audit methodology to each question. <b>Significance Rating: Significant Weakness</b>	<b>2007</b> <b>Current Resolution Status: In-process</b>
3	Take appropriate steps to provide reasonable assurance the IMSs comply with current policy regarding the appropriate number and type of payments to review each day. <b>Significance Rating: Significant Weakness</b>	Field Operations Administration will work with IT to develop one report to identify claims that have been bypassed, as well as, claims that have been audited by the IMS. Field Operations management will review this report periodically for compliance. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations (IT Related) – November 2007</b> <b>Current Resolution Status: In-process</b>
4	Add or update questions for various compensation types to address policy and statutory requirements. <b>Significance Rating: Significant Weakness</b>	Questions have been updated to the applicable compensation types. A workgroup will meet to determine which items/questions should have a more timely review and be reviewed daily to ensure compensation payments are accurate and which items may be reviewed quarterly to ensure the claim is being managed appropriately. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations – January 2008</b> <b>Current Resolution Status: In-process</b>
5	Perform benchmarking to determine how similar organizations are performing quality assurance procedures over claims management activities in order to determine what might be considered best practice. <b>Significance Rating: Significant Weakness</b>	Management will conduct benchmarking with similar organizations on the compensation audit process to evaluate “best practices” regarding quality assurance processes. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Field Operations – December 2007</b> <b>Current Resolution Status: In-process</b>

### Salary Continuation Program – March 2007

	Recommendation	Disposition
1	Develop management reporting to ensure initial contacts and all ongoing contacts are being made in Salary Continuation (SC) claims. Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements. Conduct a data and status cleanup project on the SC claims in an “unknown” status. Amend the SC policy to clarify expectations, roles, and responsibilities of BWC as well as MCO staff. <b>Significance Rating: Significant Weakness</b>	Policy review and updates are in process. Field Operations is working on creating some data warehouse reports to identify Salary Continuation claims. These claims will be provided to the Field Offices for review to ensure all initial contacts and ongoing communication is completed timely. In addition, the Salary Continuation Policy is being reviewed. The request to clean up the Salary Continuation claims has been submitted to a review team for prioritization. An employer compliance process is being developed. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007; April 2008 (“unknown claim” project clean up)</b> <b>Current Resolution Status: In-process</b>
2	Establish controls for monitoring and reporting wage	Wage information will be monitored for

	<b>Recommendation</b>	<b>Disposition</b>
	submissions. <b>Significance Rating: Significant Weakness</b>	completeness by the IMS. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
3	Enforce existing policy and implement the necessary incentives and penalties as a control to ensure that participating employers are meeting all reporting requirements. <b>Significance Rating: Material Weakness</b>	Policy review and updates are on target for December. Field Operations is working on creating data warehouse reports to identify Salary Continuation claims. These claims will be provided to the Field Offices for review to ensure all necessary wage documentation is obtained. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
4	Ensure that injured workers receive sufficient information to make informed decisions concerning salary continuation. <b>Significance Rating: Significant Weakness</b>	A further analysis of this automation within V3 is necessary to evaluate this recommendation. If it is deemed appropriate, a system change control will be submitted to implement this recommendation. The option letter and C55 serve two separate and distinct purposes in the process and should not be combined. The IMS will ensure proper documentation is sent for the option letter. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
5	Regarding lost time changeovers, BWC should ensure return to work dates, salary continuation, and lost time changeovers are re-assigned to the proper service offices. Reserve these claims properly and apply the corrected dollar impacts to the premiums and to the state fund. Develop management reporting to keep future claims from being overlooked, and to eliminate adverse impacts to the state fund. <b>Significance Rating: Material Weakness</b>	Field Operations is working on creating data warehouse reports to identify claims with 8 or more days missed and Salary Continuation claims. Once these reports are created, we will work with Medical Claims and the Field to ensure V3 is updated properly. This is also a recommended report for the quality assurance department. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: Staffing - February 2007; Procedure Updates - September 2007; Quality Control-Implement - December 2007; Unknown claim project clean up - April 2008</b> <b>Current Resolution Status: In-process</b>
6	Revise the existing policy to contain clear and concise language for utilization of Independent Medical Exams and other claims management tools to avoid confusion and multiple interpretations. Ensure all IMEs are completed correctly and timely in accordance with BWC Policy. <b>Significance Rating: Significant Weakness</b>	Management will ensure the policy is updated and properly communicated to all Field staff. A data warehouse query will be used to identify claims that are collecting temporary total that have not had an exam. All further policy updates and rules are on hold pending outcome of HB 100 changes for MIRA and Group Rating. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
7	Develop a standard referral system to identify, contact, educate, and track all employers who are not in compliance with the Salary Continuation Policy. Communicate to all of Field Operations that the Policy Department role is defining the policy, not enforcing the policy. Promulgate a formal rule to	Management will develop a referral process that will enable Employer Operations to track, monitor and enforce employer compliance with the Salary Continuance policy. The referral and monitoring process will also be documented in a rule. Field Operations staff will be notified and trained on the

	Recommendation	Disposition
	support program enforcement. <b>Significance Rating: Material Weakness</b>	referral process once this is implemented. Management will develop a Salary Continuance rule to include penalties for non-compliant employers. All further policy updates and rules are on hold pending outcome of HB 100 changes for MIRA and Group Rating. <b>Responsible Chief: Chief of Customer Services</b> <b>Target Resolution Date: April 2008</b> <b>Current Resolution Status: In-process</b>

**Information Technology General and Application Controls Risk Assessment –  
January 2007**

NOTE: The Internal Audit Division worked together with the IT Division to voluntarily contract with an external auditing firm to perform a baseline review of the internal general and applications controls of BWC's IT Division. Validation will only occur after Internal Audit acquires the appropriate internal and/or external IT audit expertise.

	Finding	Disposition
1	There is no documentation for personnel assigned access control over powerful utilities that may alter data or programs. <b>Significance Rating: Material Weakness</b>	Management will formally document the approval process including who keeps documentation of approvals and periodic reviews of who has access. Management will determine if other such utilities exist so that they can be addressed. Management will develop a formal policy on Super Claim use. Management is on track to formally document the approval process and develop a formal policy on Super Claim use. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
2	Security violation and monitoring is not in effect for all computer environments or applications. Trending or advanced analysis for security violations is therefore, not performed. <b>Significance Rating: Material Weakness</b>	Management will inventory platforms with powerful system IDs, work with Legal to establish retention periods for archived system logs, evaluate risks/costs where performance impacts may exist and implement system logging where feasible. Management will develop exception based reporting on high risk platforms and will develop periodic review processes to accelerate investigation of exception reports. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
3	There is no periodic process to evaluate changes in architecture and security impacts to the asset base. In addition, there is no consistent process in place to aid in mitigating vulnerabilities. <b>Significance Rating: Material Weakness</b>	Management has verified that security is properly included in the application development methodology. Management is assessing remaining processes, and will develop a plan for incorporation of disaster recovery in the change management process. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
4	Programmers have access to the production	Management has added version control to the

	Finding	Disposition
	<p>environment. There is clearly a segregation of duty issue with programmer access to the production environment in the Applications Maintenance/Support Applications Technology, and ICC groups. Some applications do not have a version control management system.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>financial applications. Administrative rights have been removed from business customers. For segregation of duty reasons, the migration function, which is handled by the Logistics Department, will be moved to the Service Center.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>
5	<p>Individuals within the IT department are sometimes responsible for performing end-user data processing activities via items such as Super Claim and SPUFIs. Many individuals in IT have read-only access to production data.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Control over production data access will be reviewed to determine if more controls, restrictions and/or policies need to be in place. Test environments using production data will be reviewed for policies or changes that are needed.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: May 2008</b>  <b>Current Resolution Status: In-process</b></p>
6	<p>All requests for end-user access to LAN/WAN/Application/Database resources are not documented or maintained. Revocation of terminated employees does not consistently occur at the application/application role level. It is possible for terminated user accounts to remain in the system. There is no regular review of user/role definitions at the business process level. Passwords syntax controls within the Windows environment is not functioning as initially expected (per security policies).</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Management will create a single electronic site and template for storage of access provision procedures. These procedures would be approved through a logged process. An assessment of the separation procedures will be done on a periodic basis to confirm that they are being followed correctly. Assessment of who currently has access, documented justification for continued access, and restriction of access for those without justification will be completed. LAN passwords will be required to be complex by 12/31/07. Currently the system will temporarily revoke an ID after five invalid attempts and will not permit re-use the six most recent passwords.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: July 2008</b>  <b>Current Resolution Status: In-process</b></p>
7	<p>Powerful IDs are neither logged nor monitored. Therefore, activities performed using a powerful ID (e.g., default database, system, or network administrator account) or powerful utility are neither captured nor reviewed.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>The Administrator Account Policy stipulates that all Administrators must re-justify their access. The required Administrator Logon form requires Administrator signature, IT Director, and the Network Director's Signature. Management has audited Super Claim and removed several members from these groups. A purchase order for additional logging tools for the LAN has been approved.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
8	<p>The documented criteria for approvals required for a change via the CMT process is sparse. It basically indicates that four director approvals are required for production changes, plus anyone the requestor thinks that would need to be "aware" of the change. There is no governance to ensure affected parties are on the approval. Changes are sometimes made without all approvers having approved the change. There is no tracking or escalation of such incidents. Some</p>	<p>IT will require written verification in the form of actual or equivalent signoff. Electronic signature via email will be considered as equivalent to actual signature as long as email content provides evidence for verification of change. In addition:</p> <ul style="list-style-type: none"> <li>• Training on the change management process that has been made available to all IT groups will be made mandatory and completed for all IT groups</li> </ul>

	Finding	Disposition
	<p>changes upgrades are done without a CMT. No business process/IT cross reference maps are documented. There is no (or very limited) business process documentation.</p> <p>There are no formal sign offs for the SDLC deliverables except for the CMT process (which allows for electronic signoff).</p> <p><b>Significance Rating: Material Weakness</b></p>	<ul style="list-style-type: none"> <li>• A monthly report documenting the number of changes implemented without all approvals will be distributed to Directors for review on a monthly basis.</li> <li>• Automated identification of necessary approvals is currently being analyzed. Automated identification of necessary approvers based upon the nature of the request will be expanded as much as possible.</li> <li>• Reports displayed in the weekly change management review meeting have been completed and now identifies the CMT's still requiring approvals.</li> </ul> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
9	<p>There is an inconsistency in approval of hardware modifications. Formal processes do not exist to determine if system software needs to be modified (e.g. patches/upgrades), including required documentation and approvals required. Asset management is not used pervasively across IT to track critical elements of all relevant IT assets.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Management is working on a new change management policy, documentation, and training program. IT managers will assess their compliance with the new program and make changes as needed. Monthly reports will be updated to identify the changes still requiring approvals.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
10	<p>The process by which projects tailor the common methodology has no oversight or enforcement for a basic set of required project activities. There are no formal criteria for tailoring based on project size. As such, project activities, deliverables, and levels of formal documentation and/or approvals vary greatly and are not predictable. Data warehousing has limited structure regarding a documented SDLC.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>There is a formal methodology for large and small projects. We have not formally drawn the line between what is small and large. That is up to the Project Manager. This works quite well. Where the improvements are needed is in the oversight of the process. The Data Warehouse team uses a derived methodology based largely on the contracted vendor's SDLC methodology. While this methodology is not the same as the Applications' SDLC methodology, it is documented and integrated into BWC's migration procedures. Management acknowledges that small changes between releases will not use the full SDLC methodology. Management will add a clear definition to the methodology on Small/Large Projects.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
11	<p>There is no business continuity in the DRP. The disaster recovery plan (DRP) has only been tested for legacy applications and databases; exposure exists for e-generation, Oracle Financials, QED and some client/server systems. The current DR plan does not appear to be sufficiently robust to ensure effective IT support in the event of a significant system outage. IT governance is weak regarding established KPI's/Metrics. While some formal reporting exists</p>	<p>Management will address the IT Business Continuity by determining ownership of business continuity plan. Management will emphasize people portion of IT plan during review after next test and establish periodic walk through of logistical &amp; people aspects of plan. Management will address the encryption issue by: implementing encryption of off site Data Recovery (DR) tapes for IBM mainframe, implementing encryption of off site DR tapes for</p>

	<b>Finding</b>	<b>Disposition</b>
	<p>(director status reporting, PMO stoplight reporting), there is little in the way of KPI-based (metric-based) reporting or accountability. There is no internal process (self-audit, internal IT audit, or otherwise) to continually evaluate and/or monitor the adequacy and effectiveness of the IT controls environment. No formal procedures have been established or documented to classify application and underlying data from a privacy perspective. While information privacy is monitored by Legal and IT is informed by Legal of the ramifications, the process is informal and goes unmonitored. Processes and procedures have not been established to ensure adherence to federal, state, and local regulations.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>open systems, and implementing encryption of laptop and tablet disks.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>
12	<p>For each of the mission critical applications, databases, and operating systems, the functions, transactions, menus, screens, etc. that update mission critical financial data have not been identified/documented. Security design documents are not reviewed, updated, nor approved.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Since last update, IT has initially loaded all Appsets and .NET web services into the Aqualogic Enterprise Repository (ALER). User training has been completed. Configuration and Registrar training has been completed. An asset entry process diagram has been developed. In addition, all application and database components will be documented, including all other system components of value.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: July 2008</b>  <b>Current Resolution Status: In-process</b></p>
13	<p>The definition of unscheduled (emergency) changes is widely inconsistent across groups or in some cases not defined or documented. Not all maintenance/development items are recorded because small maintenance items may not be recorded. Reporting/metrics are compromised with the inconsistent and incomplete categorization and tracking. There are no established metrics to track emergency changes (e.g. when it occurs in relation to changes, what modules / application).</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Management is working on a new Change Management policy, documentation and training program. IT managers will assess their compliance with the new program and make changes as needed.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
14	<p>The processes used to identify security vulnerabilities for each technology asset are inconsistent. Security design documents are not reviewed, updated, nor approved. There are inadequate mechanisms in place to ensure that security policies are being followed by users.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Drafts of security policies have been completed and submitted for review and approval. Processes to support the policies would need to be developed if they are approved.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>

	Finding	Disposition
15	<p>Business impact analysis for changes is performed inconsistently prior to initiation of development or acquisition. Although some deliverables in the project life cycle allow for business impact analysis, this activity is frequently not performed or, in some cases, is performed without documented results. As a result, many projects or maintenance activities have no business impact analysis, cost benefit analysis, or business benefit assessment upon which to formally base decisions.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>IT will work with the business to document process to include business impacts and will be adopting the ITIL practice which includes business impacts as part of the methodology. The issue of software impact analysis is being addressed with the current efforts to implement the Enterprise Repository.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>
16	<p>No consistent project post evaluation conducted to determine project performance. Lessons learned are infrequently captured and/or used in future projects. User documentation is typically provided for most applications; however, changes to user documentation as a result of system changes are not always reflected. System documentation is not present for most applications and is not consistent.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Management will examine after-action review process for customer satisfaction, lessons learned and harvesting the benefits (benefit realization).</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>
17	<p>The DRP is not updated as part of the overall change management process. There are pockets of asset management, but there is no universal or consistent asset management tool or process currently being utilized.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Much of this will be accomplished with the Enterprise Repository (AKA Flashline) efforts currently underway. All software assets and their dependencies will be documented in this repository. BWC currently uses Oracle Financials to track all physical assets over \$300, per OBM requirements. Currently the flow of assets, from receipt to retirement (including any/all movement) is being reviewed for consistency, accuracy, and policy compliance. Long term – the Oracle Fixed Asset (OAKS) tool needs to be reviewed to determine if that is the appropriate tool to be used, as well as owners, users, maintenance, and disaster recovery plans need to be identified.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>
18	<p>There is no long range IT plan (i.e. 3-5 year plan) that is commonly understood or commonly used to make key IT decisions. Of the plans that exist (the biennial budget, the IT prospectus, and Agenda 0<math>\mu</math>), none of these are universally recognized as the long range plan and none of these fully meet the scope required of a long range plan.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>An assessment on COBIT/BSC software was conducted and Clarity was chosen. An upgrade with the Risk Compliance module is slated to be in place by yearend. A SharePoint portal and IT workflow process has been completed for charters, strategies, procedures, policies, standards, and roadmaps. IT is now working on current long range plan and will incorporate it into portal for better communication. Initial rounds of ITIL training now completed.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: June 2008</b>  <b>Current Resolution Status: In-process</b></p>

	Finding	Disposition
19	Security testing is not consistently or always performed for emergency changes. <b>Significance Rating: Significant Weakness</b>	Emergency change policies will be redefined. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
20	Security testing is not consistently or always performed after system software modifications and/or version upgrade/patch to ensure key security functions have not been adversely impacted at the operating system layer, at the application security layer, and at the application functionality layer. <b>Significance Rating: Significant Weakness</b>	Management will review existing security testing processes for system software and identify necessary improvements. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
21	There is inconsistency in testing standards for hardware. There is inconsistency in security procedures for the testing of new hardware. <b>Significance Rating: Significant Weakness</b>	Management will review existing security testing processes for system hardware and identify necessary improvements. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b>
22	The organization does not have consistent, documented policies and procedures concerning data transmission to external sources. <b>Significance Rating: Significant Weakness</b>	A draft of a policy regarding data transmission has been completed. Once the policy is complete, it will be reviewed again with appropriate business functions and finalized and communicated to appropriate employees. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: December 2007</b>
23	Background checks are performed only on unclassified resources. Employees and contractors with access to production data, production systems, the data center, and production source code have no background checks. There is inconsistency with training. There are pockets within IT that perform some training planning, but cases are isolated and not uniform. There is no assurance that proficiency is being maintained within respective groups. <b>Significance Rating: Significant Weakness</b>	Management will contact other state agencies to determine if background checks are required for their positions. Management will also review existing positions to determine positions of risk and will work with Law and Labor to determine future action. Training policies and procedures will be developed and reviewed quarterly. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
24	Background checks are not conducted for contract employees. <b>Significance Rating: Significant Weakness</b>	Based on areas of risk, this process will be considered in the requirement for a contractor to work at BWC. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
25	There is an inconsistent adherence to corporate policies and standards for contract employees within the Network Group. <b>Significance Rating: Significant Weakness</b>	Beginning November 2006 all contractors, existing and new, must sign a contractor agreement, stating that they will abide by all BWC policies, specifically citing internet usage and ethics, among others. The document is retained with the vendor file located in the IT Business Management and Planning department. Any contractors who refuse to sign or abide by BWC policies are terminated. Also, all SOW's include the scope of work and deliverables. <b>Responsible Chief: Chief Information Officer</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
26	No monitoring or periodic review of outsourced services to ensure that contractual expectations/obligations are met. Contract service	Supervisors will be made aware of their responsibility to directly monitor performance of outsourced services. Management will review possibility of a

	Finding	Disposition
	<p>agreements for the Network Group are inconsistent compared to other groups regarding scope, reporting responsibilities, restrictions, and compliance to corporate policies and standards.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>form for supervisors to sign.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: March 2008</b>  <b>Current Resolution Status: In-process</b></p>
27	<p>There is no independent QA group. Retention of test results is inconsistent. Evidence does not consistently exist across application areas to support the claim that end-user testing results matched expected results.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Establishment of function has been implemented. A review of this function within Applications is underway and a change will be made to properly segregate duties and prevent conflicts of interest.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>
28	<p>There is a concern over existing data retention requirements and how this impacts the data backup policies.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Management will define what constitutes critical data, and determine where the data is located. Analysts will get with Law and Business unit staffs to document backup retention requirements for critical data. Backups will be developed to support retention of critical data.</p> <p><b>Responsible Chief: Chief Information Officer</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>

### Pharmacy Benefit Manager Audit – May 2007

	Recommendation	Disposition
1	<p>Reconcile the bank balance to the financial records monthly and submit to BWC.</p> <p><b>Significance Rating: Material Weakness</b></p>	<p>Recommended reconciliations are now being performed for the New Provider Account and submitted to BWC. Compliance and Performance Monitoring (CPMU) continues to work with vendor to ensure that all refunds are returned to BWC. Vendor began returning refunds to BWC in mid-August.</p> <p><b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>
2	<p>Ensure the responsibility for resolving overpayments is specified and oversight is improved.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Vendor has initiated payment to BWC for these outstanding checks. BWC will monitor to ensure all money is returned.</p> <p><b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: October 2007</b>  <b>Current Resolution Status: Implemented</b></p>

	<b>Recommendation</b>	<b>Disposition</b>
3	Strengthen internal controls to ensure payments are mailed timely. <b>Significance Rating: Significant Weakness</b>	Compliance and Performance Monitoring confirmed that improved controls have been implemented by vendor; however, the provider checks are printed and securely stored until funding is received from BWC one week later. Vendor has stated that it is not possible to print the checks after receipt of BWC's payment file, as recommended. BWC is waiting for a written explanation from the vendor on this issue. BWC will modify the language in the next contract to better address the timely payment requirement. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: December 2007</b> <b>Current Resolution Status: In-process</b>
4	Develop payment structure that does not reimburse for drugs not dispensed. <b>Significance Rating: Significant Weakness</b>	BWC has identified defects in the test results requiring further development and testing by the vendor to address this issue. Communication to pharmacies will need to take place before implementation. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: July 2008</b> <b>Current Resolution Status: In-process</b>
5	Enhance current system to adequately reflect reasons for denials. <b>Significance Rating: Significant Weakness</b>	Vendor has changed their reporting system to capture the required codes for denials. <b>Responsible Chief: Chief of Medical Policies and Compliance</b> <b>Current Resolution Status: Implemented</b>
6	Require vendor to resume imaging of bills and increase oversight. <b>Significance Rating: Significant Weakness</b>	Vendor has resumed imaging. BWC is now receiving a monthly report from the vendor that acknowledges vendor's oversight of this process. BWC will validate through sample testing that the bills were imaged. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: April 2008</b> <b>Current Resolution Status: In-process</b>
7	Develop retrospective Drug Utilization Review criteria to enhance utilization of the services of the vendor. <b>Significance Rating: Significant Weakness</b>	This plan will be developed once vendor's audit of their DUR process is complete to ensure that appropriate criteria are developed that make the best use of the DUR process. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: July 2008</b> <b>Current Resolution Status: In-process</b>

	<b>Recommendation</b>	<b>Disposition</b>
8	Evaluate program resources, review contract, and require the vendor to submit an attestation letter stating that rebates and discounts have not been received. <b>Significance Rating: Significant Weakness</b>	Attestation letter was received from vendor in May 2007. Rebate process will be analyzed by the pharmacy consultant who will be selected through the competitive bid process. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: April 2008 (Consultant report); August 2008 (PBM contract RFP development)</b> <b>Current Resolution Status: In-process</b>
9	Consider utilizing vendor's technology. <b>Significance Rating: Significant Weakness</b>	Additional therapeutic drug classes will be added to the relatedness editing effective January 2008. Changes to preferred drug list and other drug limitations will be effective January 2008. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: March 2008</b> <b>Current Resolution Status: In-process</b>
10	Develop action plan to strengthen oversight and improve management of the program. <b>Significance Rating: Significant Weakness</b>	A comprehensive plan was developed and submitted to the Medical Services and Compliance Chief. The components of this plan will be prioritized to determine what can be implemented given staffing constraints. In addition, a PBM group has been formed which is responsible to ensure that PBM issues are resolved in a timely fashion. This group meets on a weekly basis. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: September 2007</b> <b>Current Resolution Status: Implemented</b>
11	Periodically test transactions to ensure discounts are passed-through to BWC. <b>Significance Rating: Significant Weakness</b>	RFP for pharmacy expert is scheduled to be released by the end of November 2007. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: April 2008</b> <b>Current Resolution Status: In-process</b>
12	Conduct sufficient review and analysis to identify opportunities. <b>Significance Rating: Significant Weakness</b>	RFP for pharmacy expert is scheduled to be released by the end of November 2007. <b>Responsible Chief: Medical Services and Compliance Chief</b> <b>Target Resolution Date: April 2008</b> <b>Current Resolution Status: In-process</b>

## Retrospective Rating Program Audit – June 2007

	Recommendation	Disposition
1	<p>Update policies and procedures for more efficient and effective processing.  <b>Significance Rating: Significant Weakness</b></p>	<p>Management has written and documented several new procedures. This additional information will be formally documented into a new policy scheduled to be released and approved in December 2007.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: December 2007</b>  <b>Current Resolution Status: In-process</b></p>
2	<p>Evaluate additional alternatives to augment, compliment, or replace financial statement audit requirements.  <b>Significance Rating: Significant Weakness</b></p>	<p>The Retrospective Rating Unit will meet with appropriate BWC departments to identify alternatives for employers desiring to participate in the Retrospective Rating who choose not to have certified audited financial statements.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: December 2007 (Recommendations to senior staff); July 2008 (implementation for private employers) and January 2009 (public entities)</b>  <b>Current Resolution Status: In-process</b></p>
3	<p>Enforce provisions set forth in Ohio Administrative Code Section 4123-17-42 by establishing and implementing an effective procedure for the management review process.  <b>Significance Rating: Material Weakness</b></p>	<p>The Retrospective Rating Unit will draft a summary report with recommendations submitted to executive staff. The report will identify options to ensure a consistent approach be used for the management review process.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: September 2007</b>  <b>Current Resolution Status: In-process</b></p>
4	<p>Evaluate requirements and objectives of the program to ensure support exists for all goals and outcomes. Consider eliminating the allowance of any employer who is financially unstable, including employers who are in a part pay status from the program.  <b>Significance Rating: Material Weakness</b></p>	<p>Management concurs that alternatives such as a one-tiered program should be reviewed and considered, as well as limited liability levels for certain employers. Management does not agree all employers currently in a part pay plan be restricted from participation, but instead feels part pay plans be reviewed very closely to determine financial adequacy. Final decisions are on hold pending completion of actuarial studies.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: October 2007</b>  <b>Current Resolution Status: In-process</b></p>
5	<p>Enforce Ohio Administrative Code Section 4123-17-42(D) (2) concerning compliance with the 10-step business plan and communicate results to the Retrospective Rating Unit.  <b>Significance Rating: Significant Weakness</b></p>	<p>Management has implemented a new procedure that requires Tier 2 participants to complete and submit a 10-step self-assessment progress report to their assigned BWC representative. This report will be reviewed at the end of the retro period and a recommendation will be submitted.  <b>Responsible Chief: Chief of Customer Services</b>  <b>Current Resolution Status: Implemented</b></p>

	Recommendation	Disposition
6	<p>Consider drafting a rule to eliminate employers from participating in the program that are unable to manage retrospectively rated claims for their ten-year enrollment period.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>The recommendation to restrict a PEO from participating in the retro program will be discussed with Employer Operations' management to determine the most appropriate direction for BWC to take that is consistent with agency goals.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: September 2007</b>  <b>Current Resolution Status: In-process</b></p>
7	<p>Develop ongoing reporting and conduct detailed trending and analysis of pertinent program management data.</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>Management will create queries of premium data provided by the BWC actuarial vendor. This data will be analyzed to identify trends and ensure that appropriate premiums are collected from employers in the Retrospective Rating Program. The Actuarial Division is also soliciting the assistance of the actuarial consultant to assist in this analysis.</p> <p><b>Responsible Chief: Chief of Customer Services</b>  <b>Target Resolution Date: October 2007</b>  <b>Current Resolution Status: In-process</b></p>

### Medical Bill Payment Controls Memorandum – June 2007

	Recommendation	Disposition
1	<p>The BWC Medical Services Division should implement preventive and detective controls to include caps or limits on the amounts reimbursable for hospital bill charges. Preventive controls, coupled with monitoring by management, will help guard against intentional or unintentional keying errors of billed amounts by either the hospitals or Managed Care Organizations (MCO).</p> <p><b>Significance Rating: Significant Weakness</b></p>	<p>The HPP System Support Department has developed queries to identify provider billed amounts over established thresholds which are run and reviewed daily. Management has developed a query to identify paid bills greater than established threshold levels and has initiated quarterly reviews. Efforts have been initiated with the clinical editing software vendor. The system is expected to be implemented in February 2008.</p> <p><b>Responsible Chief: Medical Services and Compliance Chief</b>  <b>Target Resolution Date: August 2007 (Cambridge solutions, RFP results, budget decision); February 2008 (implement and train on clinical editing software)</b>  <b>Current Resolution Status: In-process</b></p>

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

## **BWC Internal Audit Division Audit Report Follow-up Procedures**

The *International Standards for the Professional Practice of Internal Auditing* specifically addresses follow-up in Standard 2500. 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 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"> <li>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.</li> <li>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.</li> </ul>	Audit Committee, Senior Management, Department Management
Significant Weakness	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	Senior Management, Department Management, Audit Committee (optional)
Minor Weakness	<ul style="list-style-type: none"> <li>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.</li> <li>A control deficiency that would result in <u>less than a remote</u> likelihood 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.</li> </ul>	Department Management, Senior Management (optional)

**NOTE: When management's action plans for Significant Weakness comments are materially delayed from the intended implementation date the comment will elevate to a Material Weakness (pending circumstances).**

## Internal Audit Division

### FY 08 Annual Audit Plan – 1<sup>st</sup> Quarter Update

Focus Area	1st Qtr.			2nd Qtr.			3rd Qtr.			4th Qtr.		
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
External Audit Assistance												
Long Term Care Program												
Employer Payroll Reporting Process												
Medical Bill Payments Process												
PTD Claims												
Investment Accounting System												
Investment Manager Selection and Funding Process												
Transitional Work Grants												
Subrogation Process												
Employer Compliance and Premium Audit												
Investment Fee Payment Process												
Forthwith/Miscellaneous Special Payments												
Investment Manager Continuance Program												
Adjudication Committee												
Settlements Process												
Stakeholder Relations												
Safety Grants Program												
MCO Administrative and Incentive Payments												
FY 2009 Annual Audit Plan												
Audit Validation Testing												
MCO Audits												
SOX - Investment Certification Control Testing												

## **Executive Summary**

### **Chapter 4123-15: Code of Ethics**

#### **Introduction**

Chapter 4123-15 of the Administrative Code contains the rules relating to the Code of Ethics. The BWC rules are parallel to the IC rules of Chapter 4121-15.

#### **Background Law**

The Ethics rules are based upon Divisions (B) and (C) of R.C. 4121.122, enacted effective January 1, 1977, under S.B. 545, as part of a reform bill following ethical problems at the Industrial Commission and Bureau. Divisions (B) and (C) of R.C. 4121.122 provide:

... (B) The administrator and the commission shall jointly adopt, in the form of a rule, a code of ethics for all employees of the bureau and the commission and post copies of the rule in a conspicuous place in every bureau and commission office.

(C) The administrator and the commission shall jointly adopt rules setting forth procedures designed to eliminate outside influence on bureau and commission employees, produce an impartial workers' compensation claims handling process, and avoid favoritism in the claims handling process. Failure to adopt and enforce these rules constitutes grounds for removal of the administrator and the members of the commission. ...

#### **Reason for Rule Changes**

BWC recently completed a five year rule review of the ethics rules, effective August 15, 2007. There are 9 rules in this Chapter, rules 4123-15-01 to 4123-15-09. BWC kept five of the rules unchanged, and amended rules 4123-15-01, 4123-15-03, 4123-15-07, and 4123-15-08. Since the changes, however, H.B. 100 replaced the Workers' Compensation Oversight Commission with the Bureau of Workers' Compensation Board of Directors, and eliminated the Internal Security Committee.

#### **Rule 4123-15-03**

Paragraph (B)(1) states that the ethics rules apply to Bureau of Workers' Compensation Board of Directors rather than the Workers' Compensation Oversight Commission.

#### **Rule 4123-15-08**

The amendment provides that a violation of the ethics rules shall be referred to office of Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission rather than to the defunct Internal Security Committee.

## Ethics Rules

### 4123-15-03 Standards of conduct.

#### (A) Purpose

It is the policy of the industrial commission and the bureau of workers' compensation to carry out its mission in accordance with the strictest ethical guidelines and to ensure that commission and bureau employees conduct themselves in a manner that fosters public confidence in the integrity of the commission and the bureau, its processes, and its accomplishments.

The commission and the bureau hereby adopt the provisions of the Ohio ethics law, including but not limited to the provisions of Chapters 102. and 2921. of the Ohio Revised Code, and as interpreted by the Ohio ethics commission and Ohio courts.

#### (B) Prohibited Conduct

(1) No industrial commission member, the administrator of workers' compensation, ~~oversight commission~~ bureau of workers' compensation board of directors member, commission employee, bureau employee, ombudsperson, or employee of the office of ombudsperson shall do any of the following acts:

(a) Solicit or accept anything of value from anyone doing business with the commission or the bureau;

(b) Solicit or accept employment from anyone doing business with the commission or the bureau, unless the member or employee completely withdraws from any commission or bureau discretionary or decision-making activity regarding the party offering employment, and the commission or the bureau approves the withdrawal;

(c) Use his or her public position to obtain benefits for the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship;

(d) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell goods or services to the commission or the bureau;

(e) Be paid or accept any form of compensation for personal services rendered on a matter before, or sell (except by competitive bid) goods or services to, any state agency other than the commission or the bureau, as applicable, unless the member or employee first discloses the services or sales and withdraws from matters before the commission or the bureau that directly affect officials and employees of the other state agency, as directed in section 102.04 of the Revised Code;

(f) Hold or benefit from a contract with, authorized by, or approved by the commission or the bureau, (the ethics law does accept some limited stockholdings, and some contracts objectively shown as the lowest cost services, where all criteria under section 2921.42 of the Revised Code are met);

(g) Vote, authorize, recommend, or in any other way use his or her position to secure approval of a commission or bureau contract (including employment or personal services) in which the member or employee, a family member, or anyone with whom the member or employee has a business or employment relationship, has an interest;

(h) Solicit or accept honoraria (see division (H) of section 102.01 and division (H) of section 202.03 of the Revised Code) except that employees who are not financial disclosure filers may receive an honorarium only if the honorarium is paid in recognition of a demonstrable business, profession, or esthetic interest of the employee that exists apart from public office or employment, and is not paid by any person or other entity, or by a representative or association of those persons or entities, doing business with the commission or the bureau, as applicable;

(i) During public service, and for one year after leaving public service, represent any person, in any fashion, before any public agency, with respect to a matter in which the member or employee personally participated while serving with the commission or the bureau, as applicable;

(j) Use or disclose confidential information protected by law, unless appropriately authorized;

(k) Use, or authorize the use of, his or her title, the name of the commission or the bureau, or the agencies logos in a manner that suggests impropriety, favoritism, or bias by the commission or the bureau, or by a member or employee; and

(l) Solicit or accept any compensation, except as allowed by law, to perform his or her official duties or any act or service in his or her official capacity;

(m) Sponsor parties or other entertainment for the personnel of their agencies, the costs of which are covered in whole or in part by donations or receipts from the sale of tickets to individuals or entities, who are doing or seeking to do business with the commission or bureau.

(2) For purposes of this rule, these phrases have the following meanings:

(a) “Anything of value” includes anything of monetary value, including, but not limited to, money, loans, gifts, food or beverages, social event tickets and expenses, travel expenses, golf outings, consulting fees, compensation, or employment. “Value” means worth greater than de minimis or nominal.

(b) “Anyone doing business with the commission or the bureau” includes, but is not limited to, any person, corporation, or other party that is doing or seeking to do business with, regulated by, or has interests before the commission or the bureau, including anyone who is known or should be known to be an agent or acting on behalf of such party, including any person or entity marketing or otherwise attempting to secure business with the commission or the bureau.

(C) Conflict of interest.

No employee of these agencies shall engage in outside employment that results in a conflict or apparent conflict with the employee’s official duties and responsibilities.

(1) Outside employment or activity in which an employee with or without pay represents a claimant or employer in any matter before the industrial commission or the bureau of workers’ compensation is prohibited.

(2) Outside employment with an attorney, representative or entity that involves work concerning industrial claims, whether filed or to be filed, or which is in any way related to workers’ compensation matters is prohibited.

(D) Professional code of ethics.

In the event there is any conflict between a professional code of ethics governing any employee of these agencies and this code of ethics for employees, the professional code of ethics shall take precedence over the code of ethics for employees but the conflict shall be promptly reported to the employing agency. In such case the agency shall promptly determine the degree of conflict and take such further action as may be indicated.

(E) An employee shall not use state property of any kind for other than approved activities. The employee shall not misuse or deface state property. The taking or use of state property for the private purposes of an employee is prohibited. The employee shall protect and conserve all state property, including equipment and supplies entrusted to or issued to the employee.

(F) Diligence and impartiality in work.

Employees are encouraged to avoid absenteeism and tardiness, to not use sick leave unless necessary and to abide by rules of the Ohio civil service. Recognizing that the industrial commission and bureau of workers’ compensation serve many people whose interests are divergent, employees should work in a speedy and efficient manner, strive to be courteous, fair and impartial to the people they serve, and responsive to the problems that come before them. All segments of the public are to be treated equally, without regard to age, race, sex, religion, country of origin, or handicap.

(G) It is understood that standards of ethical conduct may involve a myriad of situations. The good conscience of individual employees shall remain the best guarantee of the

moral quality of their activities. The overall intent of this code of ethics is that employees avoid any action, whether or not prohibited by the preceding provisions, which result in, or create the appearance of:

- (1) Using public office for private gain, or
- (2) Giving preferential treatment to any person, entity, or group.

(H) Confidential information

The confidentiality of all information which comes into possession of commission and bureau employees shall be respected. In order to properly discharge this duty, all employees must acquaint themselves with those areas of information that are designated as confidential by statutes, by the courts and by the attorney general. Furthermore, they must become familiar with the circumstances under which and the persons to whom such information can be released.

(I) Every member or employee required to file a financial disclosure statement must file a complete and accurate statement with the Ohio Ethics Commission by April 15 of each year. Any member or employee appointed, or employed in a filing position after February 15 and required to file a financial disclosure statement must file a statement within 90 days of appointment or employment.

**4123-15-08 Remedial action against persons exercising improper influence and engaging in favoritism.**

Upon receipt of information indicating a violation of rule 4123-15-07 of the Administrative Code, the industrial commission or the administrator, as the case may be, shall refer the matter, provided the circumstances warrant it, to the ~~internal security committee~~ office of deputy inspector general for the bureau of workers' compensation and industrial commission for investigation or to the attorney general for whatever steps are necessary, to ensure proper corrective action.

**Executive Summary**  
**Public Employment Risk Reduction Program**  
**Rules 4167-3-04, 4167-3-04.1, and 4167-3-04.2**

**Background History**

Effective April 20, 1993, H.B. 308 created the Public Employment Risk Reduction Program (PERRP) to ensure that Ohio public employees are provided with a safe and healthful working environment. Prior to PERRP, by executive order only state agencies were responsible for the occupational safety and health of their respective employees. H.B. 308 extended safety and health coverage to all public employers except peace officers, fire fighters, and correctional officers.

Under prior law, PERRP was administered and enforced by the Division of Labor and Worker Safety in the Department of Commerce. The BWC Budget Bill of the 126th General Assembly, Am. H.B. 67, effective June 21, 2005, transferred the operation and administration of PERRP from the Department of Commerce to BWC. The bill also abolishes the Public Employment Risk Reduction Advisory Commission and transfers its duties to the Workers' Compensation Oversight Commission, and now the Workers' Compensation Board of Directors. These duties involve giving advice and consent for adopting rules, including rules adopted to set safety standards, and establishing fees for variance applications [see R.C. 4121.12(F)(13)(d)].

**Rule Procedure**

This rule is a Chapter 119 rule. Upon the Board's advice and consent to the rule, BWC will schedule a public hearing on the rule and the rule is also subject to the jurisdiction of the Joint Committee on Agency Rule Review.

**Reason for Rule Change**

R.C. 4167.07(A)(2)(b) provides that the administrator, with the advice and consent of the bureau of workers' compensation board of directors, shall, by no later than 120 days after the U.S. Department of Labor adopts, modifies, or revokes any federal occupational safety and health standard, by rule adopt the federal standard or amend an existing rule to conform to the standard. On August 13, 2007, The Department of Labor updated the Federal OSHA Electrical rules for Sub Part S.

**Rule Changes**

**4167-3-04 Amending of existing standards.**

**4167-3-04.1 Amending of existing standards by the bureau of workers' compensation division of safety and hygiene.**

Rule 4167-3-04 contains existing standards adopted by the Public Employment Risk Reduction Advisory Commission (PERRAC). Rule 4167-3-04.1 provides that future standards will be adopted by the administrator, with the advice and consent of the bureau of workers' compensation board of

directors, but that any rule adopted by PERRAC shall remain in effect unless amended or rescinded by the administrator.

**4167-3-04.2 Amending of standards.**

This new rule adopts the OSHA Electrical standard rule. The references in the rule are to the Federal Register:

U.S. Department of Labor [OSHA, 2007] 29 CFR 1910 - amended; changes to subpart S Electrical. Federal register, vol. 72, No. 30, pages 7136 through and including 7221, February 14, 2007.

h:rules/exsum PERRP rule 4167-3-04+ (10-07).doc  
October 15, 2007

## PERRP RULES

### **4167-3-04 Amending of existing standards.**

In accordance with division (A)(2)(b) of section 4167.07 of the Revised Code, the public employment risk reduction advisory commission has amended Ohio employment risk reduction standards as referenced by:

(A) U.S. department of labor [OSHA, 1994] “29 CFR 1910 and 1926; safety standards for fall protection in the construction industry; final rule.” Federal register, vol. 59, no. 152., pages 40729 through and including 40753, August 10, 1994.

(B) U.S. department of labor [OSHA, 1994] “29 CFR 1910 and 1926; occupational exposure to asbestos; final rule.” Federal register, vol. 59, no. 153., pages 41057 through and including 41162, August 10, 1994.

(C) U.S. department of labor [OSHA, 1994] “29 CFR 1910, 1926, and 1928; retention of D.O.T. markings, placards, and labels; final rule.” Federal register, vol. 59, no. 137., pages 36695 through and including 36700, July 19, 1994.

(D) U.S. department of labor [OSHA, 1994] “29 CFR 1910.120 and 1926.65; hazardous waste operations and emergency response; final rule.” Federal register, vol. 59, no. 161., pages 43270 through and including 43280, August 22, 1994.

(E) U.S. department of labor [OSHA, 1994] “29 CFR 1910 and 1928; logging operations; final rule.” Federal register, vol. 59, pages 51672 through and including 51748, October 12, 1994.

(F) U.S. department of labor [OSHA, 1996] “29 CFR 1910 and 1926;” safety standards for scaffolds used in the construction industry, final rule” Federal register, vol. 61, no. 170, pages 46104 through and including 46131, August 30, 1996.

(G) U.S. department of labor [OSHA, 1996] “29 CFR 1910 and 1926; occupational exposure to asbestos, tremolite, anthophyllite, and actinolite; final rule: corrections” Federal register, vol. 61, no. 165, pages 43456 through and including 43459, August 23, 1996.

(H) U.S. department of labor [OSHA, 1996] “29 CFR 1910, et al. Occupational Exposure to 1, 3-butadiene; final rule:” Federal register, vol. 61, no. 214, pages 56831 through and including 56856, November 4, 1996.

(I) U.S. department of labor [OSHA, 1997] “29 CFR 1910, 1915, 1926, et al.

Occupational exposure to methylene chloride; final rule.” Federal register, vol. 62, no. 7, pages 1601 through and including 1619, Friday, January 10, 1997.

(J) U.S. department of labor [OSHA, 1998] “29 CFR 1910.134 and 1926.103 changed designation to 1910.139; respiratory protection; final rule.” Federal register vol. 63, pages 1152 through and including 1300, April 8, 1998.

(K) U.S. department of labor [OSHA, 1998] “29 CFR 1910.1052; 1910.1025; 1910.1047 and 1910.1048. Methylene chloride; final rule.” Federal register, vol. 63, pages 50711-50732. September 22, 1998.

(L) U.S. department of labor [OSHA, 1998] “29 CFR 1910.141; 1910.142; 1910.145; 1910.146; 1910.147. Permit required confined space; final rule.” Federal register, vol. 63, no. 230, ~~pages~~ pages 66018 through and including 66040, December 1, 1998.

(M) U.S. department of labor [OSHA, 1998] “29 CFR 1910.178; and 1926.602. Powered industrial truck operator training; final rule.” Federal register, vol. 63, no. 230, pages 66238 through and including 66274, December 1, 1998.

(N) U.S. department of labor [OSHA, 1999] “29 CFR 1910.103, 1910.16 through 1910.111, and 1910.119, 1910.120, and 1910.122 through 1910.126 also issued under 29 CFR part 1911. Dipping and coating operations; final rule.” Federal register, vol. 64, no. 55, pages 13909 through and including 13912, March 23, 1999.

(O) U.S. department of labor [OSHA, 2001] “29 CFR part 1910; occupational exposure to bloodborne pathogens; needlesticks and other sharps injuries; final rule.” Federal register, vol. 66, no. 12, pages 5324 and 5325, January 18, 2001.

(P) U.S. department of labor [OSHA, 2001] “29 CFR 1926-amended; changes to subpart M and subpart R; steel erection.” Federal register, vol. 66, no. 12, pages 5265 through and including 5280, January 8, 2001.

(Q) U.S. department of labor [OSHA, 2002] “29 CFR 1926.200; 1926.201; 1926.202; and 1926.203, safety standards for signs, signals, and barricades; final rule: “Federal register, vol. 67, no.177, pages 57722 through and including 57736, Thursday, September 12, 2002.

(R) U.S. department of labor [OSHA, 2002] “29 CFR 1910.33 through 1910.39, and 1910.119; 1910.120; 1910.157; 1910.268; 1910.272; 1910.1047; 1910.1050 and 1910.1051, exit routes, emergency action plans, and fire prevention plans; final rule: “Federal register, vol. 67, no.216, pages 67949 through and including 67965, Thursday, November 7, 2002.

(S) U.S. department of labor [OSHA, 2004] “29 CFR 1910.401; 1910.402; 1910.424; and 1910.430. Commercial Diving Operations; final rule.” Federal register, vol. 69, no.31, pages 7351 through and including 7366, February 17, 2004.

**4167-3-04.1 Amending of existing standards by the bureau of workers' compensation division of safety and hygiene.**

Effective July 1, 2005, in accordance with division (A)(2)(b) of section 4167.07 of the Revised Code the administrator, with the advice and consent of the bureau of workers' compensation board of directors, has the authority to amend Ohio employment risk reduction standards. Any rule adopted by the public employment risk reduction advisory commission pursuant to the rules of this chapter shall remain in effect unless amended or rescinded by the administrator.

**4167-3-04.2 Amending of standards.**

In accordance with division (A)(2)(b) of section 4167.07 of the Revised Code, the administrator of workers' compensation, with the advise and consent of the bureau of workers' compensation board of directors, has amended Ohio employment risk reduction standards as referenced by:

(A) U.S. Department of Labor [OSHA, 2007] 29 CFR 1910 - amended; changes to subpart S Electrical. Federal register, vol. 72, No. 30, pages 7136 through and including 7221, February 14, 2007.

**Executive Summary**  
**Electronic Payment of Benefits, R.C. 4123.311**  
**Rule 4123-3-10**

**Background Law**

S.B. 7 was signed into law by Gov. Bob Taft to be effective June 30, 2006. This legislation made various reforms in the workers' compensation system.

The Act adopted R.C. 4123.311, to provide for the direct deposit of payments and payment by electronic transfer of funds under the Workers' Compensation Law. The Act permits the Administrator to require any payee to provide a written authorization designating a financial institution and an account number to which a payment made by direct deposit is to be credited. The Administrator shall inform claimants about the Administrator's utilization of direct deposit of funds by electronic transfer, furnish debit cards to claimants as appropriate, and provide claimants with instructions regarding use of those debit cards. The Act permits the Administrator to contract with an agent to supply debit cards for claimants to access payments made to them and credit those cards via electronic transfer with amounts the Administrator specifies.

**Reason for Rule Proposal**

This provision of S.B. 7 became effective June 30, 2006. Originally, BWC did not adopt a rule on this subject, but did develop policies and procedures for the implementation of this statutory authority. BWC will begin to mandate the electronic transfer of benefits over the next few months.

**Overview of Rule and Rule Procedure**

Rule 4123-3-10 is an existing BWC rule for payment of awards. The rule has been in effect since 1964 and BWC most recently updated the rule effective April 1, 2007, to adopt changes required by S.B. 7 relating to the payment of attorney fees for child support. Under R.C. 119.01, the rule is subject to the public hearing and Joint Committee on Agency Rule Review process.

**Rule Amendments:**  
**4123-3-10 Awards.**

The amendments to the rule are as follows:

In various places, the word "check" is replaced by "payment" to accommodate electronic payment of benefits.

In Paragraph (A)(5), The standard method of delivering checks of the bureau is change from mail to electronic fund transfer, as described more fully in Paragraph (D) of the rule.

In Paragraph (A)(6)(b), the amendment incorporates a recent IC resolution regarding the timely filing of an attorney's authorization to receive an injured workers' compensation. The new language permits the application "prior to the date of payment of the award of compensation, whether the award of compensation was made at a hearing or without a hearing."

Paragraph (A)(7)(b) is clarified to state that upon the death of an injured worker, no one may either cash the injured worker's check or access an electronic deposit.

Paragraph (A)(8)(b)(v) is amended to permit BWC to process an authorization to receive an injured workers' compensation where the attorney has previously received a fee payment under the child support provisions of the rule if there is a subsequent court settlement.

Paragraph (D) is a new paragraph detailing the requirements of the electronic payment program.

Paragraph (D)(1) lists the required elements of R.C. 4123.311.

Paragraph (D)(2) states that BWC will require either an electronic fund transfer into a savings or checking account, or shall issue to an electronic benefits card for all benefits covered by the rule. Paragraph (D)(2)(a) state that BWC will provide notice of the types of compensation or payments paid directly to a benefit recipient that are included in the program. Paragraph (D)(2)(b) states that BWC will provide notice of the types of compensation or payments not included in the program, and specifically provide that payments made under an authorization to receive workers' compensation checks are excluded from the program.

Paragraph (D)(3) provides for BWC notice to the benefit recipient of the requirement for electronic payment of benefits BWC shall ask the benefit recipient to provide a financial institution and account for the deposit of benefits. Alternatively, BWC will issue the payment by a debit card.

Paragraph (D)(4) permits BWC to contract with a vendor for the debit cards.

Paragraph (D)(5) states that BWC will only provide a debit card to a benefit recipient who lives in a foreign country.

Paragraph (D)(6) provides for BWC notice of electronic payment delivery on the payment remittance of each paper warrant issued to eligible benefit recipients. The notice shall include the two different payment options and shall provide the benefit recipient the opportunity to select between the two electronic payment options.

Paragraph (D)(7) provides for dispute resolution for hardship.

#### **4123-3-10 Awards.**

##### (A) Compensation check issuance, delivery and endorsement.

###### (1) Definition of claimant.

As used in this rule the word “claimant” shall apply to an employee who sustained an injury or contracted an occupational disease in the course of and arising out of employment, to the dependent of a deceased employee, as well as to any person who was awarded compensation under the Ohio Workers’ Compensation Act.

###### (2) Time limit for issuance.

(a) Any order, finding or decision of the bureau, the industrial commission, or its hearing officers wherein payment of compensation is to be made shall be promptly forwarded to the appropriate department of the bureau charged with the duty of making the payment, or in the case of a self-insuring employer to the personnel of such employer charged with the disbursement of funds in industrial claims.

(b) The initial ~~check~~ payment of the bureau in payment of compensation under an order shall be issued within the time limits set forth in division (H) of section 4123.511 of the Revised Code. The payment will include compensation accrued and due the claimant at that time. Further payment of compensation due under that order shall be made by the bureau in biweekly installments. In self-insuring employers’ claims payment will be made in accordance with the law and the rules of the bureau.

###### (3) To whom paid.

(a) Awards of compensation shall be made payable only to the claimant as defined in paragraph (A)(1) of this rule, except in cases of lump sum advancements, or where the claimant is an incompetent person or is a minor awarded a lump sum of compensation, or in the case of attorneys fees as provided in paragraph (A)(8) of this rule.

(b) In cases of lump sum advancements, claimant’s creditors may be co-payees.

(c) If the claimant is an incompetent person, ~~checks~~ payment shall be issued payable and shall be mailed to the claimant’s legally appointed guardian upon the receipt of documentary proof establishing the existence of such guardianship.

(d) If the claimant is a minor and was awarded a lump sum of compensation, such sum shall be paid to the claimant’s legally appointed guardian or in accordance with section 2111.05 of the Revised Code.

- (e) If the bureau or the industrial commission determines that it is to the best interest of the claimant that a guardian of the property be appointed to receive the benefits payable, payment shall be withheld until such guardian is appointed.

(4) Information to accompany ~~checks~~ payment.

All ~~checks~~ payment for compensation shall be accompanied by information which clearly indicates the source of payment, type of payment, method of computation, inclusive days of payment, the reason for any changes in payment and the telephone number or address for inquiries concerning the payment that was made.

(5) ~~Mail delivery~~ Delivery of the bureau's ~~checks~~ payment to claimant and exceptions.

The standard method of delivering ~~checks of the bureau is by mail~~ payment to a claimant or benefit recipient shall be by electronic fund transfer, as provide in paragraph (D) of this rule. ~~The~~ Where the bureau issues a check, the bureau's checks payable to a claimant shall be mailed to the claimant's address, as officially recorded in the claim file, except as provided below.

- (a) The mailing of the bureau's compensation check to a place requested by the claimant in a power of attorney, executed in accordance with paragraph (A)(6) of this rule, must be approved by the administrator or the administrator's designee, or by the industrial commission or designee.

- (b) Checks for lump sum settlements or lump sum advancements shall be disbursed in accordance with instructions of the bureau or industrial commission, as indicated in the order approving such advancements.

- (c) In cases of advancements made by the employer during a period of disability, the bureau's checks shall be delivered in accordance with rule 4123-5-20 of the Administrative Code.

(6) Personal pick-up of the bureau's checks by a claimant and/or by parties other than a claimant.

- (a) Provided approval has been given by a member of the industrial commission or designee, the administrator of the bureau of workers' compensation or the administrator's designee, or a hearing officer, a claimant, an attorney for a claimant, or any other person authorized by a claimant, may pick-up a compensation check issued by the bureau ~~of workers' compensation~~.

- (b) When a claimant authorizes another person to pick up the claimant's compensation check, the authorization shall be by a power of attorney. On

all types of compensation, other than percentage of permanent partial compensation, the authorization must be filed prior to or at the hearing, or prior to the date of payment of the award of compensation, whether the award of compensation was made at a hearing or without a hearing. For authorization to receive compensation checks in connection with permanent partial disability applications and applications for increases thereof, the authorization must be filed with the application, with the agreement of permanent partial disability, with the election, or with the industrial commission at formal hearing or not later than prior to the date of mailing of the findings resulting from the formal hearing.

- (c) The warrant will be made payable to the claimant and sent in care of the attorney/representative identified on the power of attorney. The warrant shall be mailed to the address that the claimant indicated on the request, or may be designated for pick-up at the bureau's central office.
- (d) A person authorized to pick-up the check at the bureau shall furnish adequate identification and sign a dated receipt verifying acceptance of the check.
- (e) In self-insuring employers' claims, the claimant and the employer may agree on check delivery or pick-up, such agreement to be based on the same principles as outlined in this rule.

(7) Endorsement of checks and procedure in the event of claimant's death.

- (a) A power of attorney, allowing an attorney or an employee of an attorney to cash or endorse a check on behalf of the claimant is prohibited. Checks payable to claimant's guardian must be endorsed by said guardian in the guardian's official capacity.
- (b) When a claimant dies prior to endorsing a compensation check or accessing an electronic benefit payment, no one has the right to endorse and cash such check or access the electronic benefit funds. In order to ensure that the bureau or commission effectively obtains notice of death of a claimant, each check payable to a claimant shall bear on the reverse side, immediately above the point specified for endorsement, a printed certification to the effect that the signer or endorser certifies that he or she is the person to whom the check is payable and that the signature is his or her signature.
- (c) Checks that cannot be endorsed because the claimant is deceased must be returned to the bureau's benefits payable section, PO box 15429, Columbus, Ohio 43215-0429 by the party handling the claimant's affairs, notifying the bureau of the date of death, if known. Upon receipt of information of claimant's death, payment of compensation shall be terminated and proper entry made in the records of the bureau.

- (8) Procedure for a lump sum payment and attorney fees where the claimant is an obligor for child support payments.
- (a) If a claimant is entitled to a lump sum payment of one hundred and fifty dollars or greater and the claimant is a an obligor for child support payments, prior to issuing the lump sum payment, the bureau shall notify the claimant and the claimant's attorney in writing that the claimant is subject to a support order. The bureau shall hold the lump sum payment for thirty days, pending application by the attorney for attorney fees as provided in paragraph (A)(8)(b) of this rule.
  - (b) The bureau shall instruct the claimant's attorney in writing to file a copy of the fee agreement signed by the claimant, along with an affidavit signed by the attorney setting forth the amount of the attorney's fee with respect to that lump sum payment award to the claimant and the amount of all necessary expenses, along with documentation of those expenses, incurred by the attorney with respect to obtaining that lump sum award. The attorney shall file the fee agreement and affidavit with the bureau within thirty days after the date the bureau sends the notice under paragraph (A)(8)(a) of this rule. The attorney shall provide a copy of the affidavit to the claimant.
    - (i) The attorney shall file a copy of the fee agreement that clearly establishes the fee for the lump sum payment in the claim. The attorney's failure to file a copy of the fee agreement shall be a reason for the bureau to reject the application. The attorney should highlight in the fee agreement the language supporting the attorney fee for the type of award that is the subject of the lump sum payment, and, if the attorney is claiming reimbursement for necessary expenses, the language in the fee agreement supporting reimbursement for expenses. However, the attorney's failure to highlight this information in the fee agreement shall not be a reason for the bureau to reject the application.
    - (ii) The attorney shall file an affidavit in the form provided by the bureau. The attorney may complete the affidavit on the form provided by the bureau or in an affidavit that contains at least all of the elements of the form established by the bureau. The affidavit shall be notarized. The attorney's failure to file an affidavit in the form proscribed by the bureau or failure to obtain a notary signature shall be a reason for the bureau to reject the application.
    - (iii) The attorney fee shall be limited to the fee for obtaining the specific lump sum payment that is the subject of the bureau notice provided in paragraph (A)(8)(a) of this rule. The attorney fee shall be limited to the written fee agreement of the initial lump sum payment of the award. The bureau will reject a fee application that includes fees from awards

other than the subject lump sum payment or that request a fee from future payments of the award after the lump sum payment.

- (iv) If the attorney claims reimbursement for expenses in the affidavit, the expenses shall be limited to the expenses for obtaining the specific lump sum payment that is the subject of the bureau notice provided in paragraph (A)(8)(a) of this rule. The attorney shall provide itemized expenses and documentation to support the expenses. If the attorney fails to provide the required information on expenses, the bureau may reject that portion of the fee application, but shall process the attorney fee portion of the application.
- (v) Where the bureau has paid the attorney fee under paragraph (A)(8)(c) of this rule, the bureau will not honor a power of attorney for that award under paragraph (A)(6) of this rule, except in cases of court settlement of the workers' compensation claim.
- (vi) Before rejecting an attorney fee affidavit or fee agreement due to noncompliance with any part of this rule, the bureau shall notify the attorney of the noncompliance and provide the attorney an opportunity to submit additional information during the thirty day hold period provided in paragraph (A)(8)(a) of this rule.
- (c) Upon receipt of the fee agreement and attorney affidavit, the bureau shall review the affidavit as provided in this rule. If the affidavit complies with this rule, the bureau shall deduct from the lump sum payment the amount of the attorney's fee and necessary expenses and pay that amount directly to and solely in the name of the attorney within fourteen days after the fee agreement and attorney affidavit have been filed with the bureau.
- (d) After deducting any attorney's fee and necessary expenses, if the lump sum payment is one hundred fifty dollars or more, the bureau shall hold the balance of the lump sum award in accordance with division (A)(10) of section 3121.037 of the Revised Code.

(B) Medical awards.

Medical awards shall be paid by the bureau within the time limits set forth in rule 4123-6-12 of the Administrative Code.

(C) Rules for self-insuring employers.

Self-insuring employers shall make payment of compensation and benefits within the time as required by law and rules of the bureau.

- (1) It is the duty of the employer to pay, in accordance with the act, the amount of compensation due a claimant whose injury or occupational disease has resulted in more than seven days lost time. Payment to be made in the manner provided by law and the rules of the bureau.
- (2) It is the duty of the employer to pay for necessary medical services rendered by health care providers as a result of an injury or occupational disease for which a claim was recognized by the employer or allowed by the industrial commission.
- (3) It is the duty of the employer to pay the amount of compensation and/or benefits due in a compensable death case, and to make payment to the proper dependents or to such other persons who may be entitled thereto in accordance with the governing statutes and the orders and rules of the bureau. In the event death is the result of a compensable injury or occupational disease, the employer shall also pay the funeral allowance provided by statute at the time of death.
- (4) All awards made by self-insuring employers must be at least equal to the amounts specified in the applicable statutes, the rules of the bureau and the industrial commission.
- (5) Self-insuring employers shall follow the procedures in paragraph (A)(8) of this rule relating to a lump sum payment and attorney fees where the claimant is an obligor for child support payments.

(D) Electronic payment of compensation and benefits.

(1) Pursuant to section 4123.311 of the Revised Code, this rule describes the bureau's program of electronic payments to:

- (a) Utilize direct deposit of funds by electronic transfer for disbursements the administrator is authorized to pay;
- (b) Require a payee to provide a written authorization designating a financial institution and an account number to which a payment may be made;
- (c) Contract with an agent to supply debit cards for claimants to access payments made to them and credit the debit cards with the amounts specified by the administrator by utilizing direct deposit of funds by electronic transfer;
- (d) Enter into agreements with financial institutions to credit the debit cards with the amounts specified by the administrator;
- (e) Inform claimants about the bureau's utilization of direct deposit of funds by electronic transfer, furnish debit cards to claimants as appropriate, and provide claimants with instructions regarding use of those debit cards.

(2) For any compensation paid directly to an injured worker or a dependent, the bureau shall require either an electronic fund transfer into a savings or checking account, or shall issue to the payee an electronic benefits card.

(a) The bureau shall provide to the public notice of the types of compensation or payments paid directly to a benefit recipient that are included in the electronic benefits program.

(b) The bureau shall provide to the public notice of the types of compensation or payments not paid directly to a benefit recipient that are not included in the electronic benefits program. Payments made under an authorization to receive workers' compensation checks are excluded from the electronic benefits program.

(3) The bureau shall notify a benefit recipient of the requirement for electronic payment of benefits and compensation and ask the benefit recipient to provide the financial institution and account to which the bureau shall deposit the compensation or benefits. If the benefit recipient does not have an account or does not respond, the bureau shall issue the payment by a bureau debit card. The debit card shall be used to deliver compensation payments electronically.

(4) The bureau shall contract with a vendor for the debit cards to allow benefit recipients to receive payment without a monthly maintenance fee. The bureau shall issue the debit card only to the benefit recipient.

(5) The bureau shall provide to a benefit recipient who lives in a foreign country an electronic benefit card.

(6) The bureau shall provide notice of electronic payment delivery on the payment remittance of each paper warrant issued to eligible benefit recipients. The notice shall include the two different payment options and shall provide the benefit recipient the opportunity to select between the two electronic payment options.

(7) A benefit recipient may request a waiver of the electronic payment delivery of compensation or benefits under this rule for special circumstances due to hardship in establishing a personal checking or savings account or in accepting the bureau debit card. The request for a waiver shall be referred to the bureau benefits payable department and may be reviewed by the administrator's designee.

HISTORY: 1-1-64; 1-16-78; 10-4-04; 4-1-07  
Rule promulgated under: RC 119.03  
Rule authorized by: RC 4121.30, 4121.31, 4121.43  
Rule amplifies: RC 3121.0311, 4121.12; 4121.121, 4123.311  
R.C. 119.032 review date: 03/01/08

**OBWC Board of Directors  
Audit Committee Charter  
November 21, 2007**

**Purpose**

The Audit Committee has been established to assist the Board of Directors of the Ohio Bureau of Workers' Compensation in fulfilling its fiduciary oversight responsibilities through:

- oversight of the integrity of financial reporting process;
- compliance with legal and regulatory requirements;
- monitoring the design and effectiveness of the system of internal control;
- confirming external auditor's qualifications and independence; and
- reviewing performance of the internal audit function and independent auditors.

**Membership**

The Committee shall be composed of a minimum of three (3) members. One member shall be the appointed certified public accountant member of the board. The Board, by majority vote, shall appoint two additional members to serve on the Audit Committee and may appoint additional members, who are not Board members, as the Board determines necessary. Members of the Audit Committee serve at the pleasure of the board and the board, by majority vote, may remove any member except the member of the committee who is the certified public accountant member of the board.

Each committee member will be independent from management. The Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair, while serving as an ex-officio member, shall not vote if his/her vote will create a tie vote.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

**Meetings**

The Audit Committee shall meet at least nine (9) times annually, or as frequently as needed and will provide activity reports to the Board of Directors. The Committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions with external auditors, when deemed appropriate in the performance of their duties. A quorum shall consist of a majority of the Committee members. The Committee will have a staff liaison designated to help it carry out its duties.

## **Duties and responsibilities**

The Audit Committee shall have responsibility for the following:

1. Oversight of the integrity of the financial information reporting process:
  - a. Review with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
  - b. Review with management and the external auditor the results of the audit.
2. Review all internal audit reports on regular basis.
3. Review results of each annual audit and management review; if problems exist, assess appropriate course of action to correct, and develop action plan. Monitor implementation of any action plans created to correct problems noted in annual audit.
4. Serving as the primary liaison for Bureau of Workers' Compensation Board of Directors and providing a forum for handling all matters related to audits, examinations, investigations or inquiries of the Auditor of State and other appropriate State or Federal agencies
5. Developing an oversight process to assess the adequacy and effectiveness of internal controls and provide the mechanisms for periodic assessment of system of internal controls on an ongoing basis.
6. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditor.
7. Consult on the appointment and/or removal of the Chief of Internal Audit and have oversight on the work of the Internal Audit Division.
8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by the external auditor.
9. After every meeting, report to the Board of Directors of the Bureau of Workers' Compensation on all activities, findings and recommendations of the Committee.
10. Establishing policies and procedures to function effectively.
11. At least once every 10 years, have an independent auditor conduct a fiduciary performance audit of BWC's investment program, policies and procedures. Provide a copy of audit to the Auditor of State.
12. Recommend to the Board an accounting firm to perform the annual audit required under R.C. 4123.47. Recommend an auditing firm for the Board to use when conducting audits under R.C. 4121.125.
13. Retain and oversee consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
14. Seek any information it requires from employees—all of whom are directed to cooperate with the Committee's requests, or the requests of internal or external parties working for the Committee. These parties include, but are not limited to internal auditors, all external auditors, consultants, investigators and any other specialists working for the Committee.
15. All Committee actions must be ratified or adopted by the Board of Directors of the Bureau of Workers' Compensation to be effective.
16. Coordinate with the other Board Committees on items of common interest.

17. At least annually, this charter must be reviewed by the Audit Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.

Audit Committee Charter.doc

Draft 092607

Review & Approved 112107, Ken Haffey, Chair

**WORKERS' COMPENSATION BOARD OF DIRECTORS  
AUDIT COMMITTEE**

**THURSDAY, OCTOBER 25, 2007, 4:30 PM  
WILLIAM GREEN BUILDING  
THE NEIL SCHULTZ CONFERENCE CENTER  
30 WEST SPRING ST., 2<sup>ND</sup> FLOOR (MEZZANINE)  
COLUMBUS, OHIO 43215**

Members Present:     Kenneth Haffey, Chair  
                              William Lhota  
                              Philip Fulton

Others present at the request of the Committee:

                              Joe Patrick, Schneider Downs  
                              Tracy Valentino, Interim Chief Financial Officer  
                              Joe Bell, Chief of Internal Audit

**CALL TO ORDER**

Mr. Haffey called the meeting to order at 4:40 PM and the roll call was taken.

**MINUTES OF SEPTEMBER 26, 2007**

The minutes were approved on a motion by Mr. Lhota, seconded by Mr. Fulton.

**NEW BUSINESS / ACTION ITEMS**

**Review and approval of Audit Committee Charter**

Discussion was made of the draft of the Audit Committee Charter. The only change was a provision requiring the Audit Committee to meet nine times per year. No other substantive changes were made, only reordering of existing provisions. Some language has been modified to comply with law. Further review and approval of the charter will be done at next month's meeting.

**Review of BWC's Annual Financial Statements – Executive Session**

A motion was made by Mr. Lhota, and seconded by Mr. Fulton, to enter executive session, at 4:45 PM, for the purpose of discussing confidential information pertaining to financial statements and external audit matters.

**External Audit Update – Executive Session**

A motion was made by Mr. Lhota, and seconded by Mr. Fulton, to end executive session at 5:46 PM.

## **DISCUSSION ITEMS**

### **Audit Committee Annual Calendar**

Mr. Fulton asked about the process for adding items to an agenda. Mr. Lhota stated that members can suggest items be added to an agenda, but should first consider whether the proposed item is appropriate for committee consideration or rather an operating issue that the Administrator needs to introduce. Mr. Lhota stressed that he wanted to encourage Directors to make suggestions for the agenda, while at the same time ensure that operational issues are directed to the Administrator.

Joe Bell, Chief of Internal Audit, noted that the Audit Committee had been planning for the Inspector General to provide updates of activity every six months. Mr. Lhota noted the Audit Committee and the Board of Directors would both welcome updates from the Inspector General any time the office is available, and not limit the Inspector General to updates every six months.

Ms. Falls suggested that, in the future, joint committee meetings be conducted on issues relating to the discount rate, as well as other issues of mutual interest between committees. Mr. Fulton suggested that the Board identify those areas of mutual interest.

### **Internal Audit Legislative Update**

Mr. Bell apprised the Audit Committee of legislative developments. Mr. Bell discussed House Bill 166 and Senate Bill 146. Both bills address internal controls of state agencies and put internal audit oversight within the Office of Budget and Management. Mr. Bell reported that it is unclear at this time how this bill could impact the Bureau and its Board of Directors. House Bill 166 passed the Ohio House of Representatives on October 9, 2007. Mr. Bell will continue to monitor the developments of these two bills.

Mr. Fulton left the meeting at 6:15 PM.

### **Open Discussion with Internal Auditor**

There was a brief open discussion with Mr. Bell.

## **ADJOURNMENT**

A motion was made by Mr. Haffey, and seconded by Mr. Lhota to adjourn at 6:17 PM.



# BWC Audit Committee Calendar

## Fiscal Year 2008

July	August
Internal Audit - Annual Audit Plan for the Fiscal Year	Internal Audit Quarterly Executive Summary Report
September	October
External Audit Status Update	BWC Annual Financial Statement Overview
Annual Review of Audit Committee Charter	Annual Review of the External Audit Report
November	December
Internal Audit Quarterly Executive Summary Report	Annual Disaster Recovery/Business Continuity Plan
	Quarterly Actuarial & Investments Update
	Semi-annual Inspector General Update
January	February
Meeting with Outside Counsel	External Auditor Scope Presentation - FY '08 Audit
BWC Quarterly Litigation Update	Internal Audit Quarterly Executive Summary Report
BWC Quarterly Financial Statement Overview	
March	April
Quarterly Actuarial & Investments Update	BWC Risk Management Strategies
	BWC Quarterly Litigation Update
	BWC Quarterly Financial Statement Overview
May	June
Annual Audit Scope Meeting - Internal Audit Division	Review of BWC Internal Fraud (Whistle Blower) Policy
Internal Audit Quarterly Executive Summary Report	Quarterly Actuarial & Investments Update
Annual Review of the Internal Audit Division Charter	Semi-annual Inspector General Update