

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

**WEDNESDAY, DECEMBER 19, 2007, 4:00 P.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING STREET, 2ND FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215**

Members Present: Kenneth Haffey, Chair
 Philip Fulton
 William Lhota

Members Absent: None

CALL TO ORDER

Mr. Haffey called the meeting to order at 4:02 PM and the roll call was taken.

MINUTES OF NOVEMBER 20, 2007

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

NEW BUSINESS / ACTION ITEMS

1. Rule Review

Based upon the five-year rule review, Tom Sico, BWC Assistant General Counsel, presented proposed changes to Ohio Administrative Code Rules 4123-20-01 to 4123-20-07 regarding the marine industry fund, and Rules 4123-21-01 to 4123-21-08 regarding the coal workers pneumoconiosis fund. Pursuant to inquiry from Mr. Price, Mr. Sico explained that these programs are mandatory under federal law, but Ohio employers are given the option to purchase such coverage from BWC. Mr. Sico also advised that proposed legislation (HB 379) would not directly affect these rules if it becomes law.

a. Marine Industry Fund Rules

Rule 4123-20-03 is amended to reflect the change in language from the oversight commission to the board of directors. Rules 4123-20-01, 4123-20-02, 4123-20-04, 4123-20-05, 4123-20-06 and 4123-20-07 will remain unchanged. Mr. Fulton moved to recommend approval of the proposed changes to the Board of Directors, seconded by Mr. Lhota. The motion was approved by unanimous roll call vote.

b. Coal Workers Pneumoconiosis Fund Rules

Rule 4123-21-03 is amended to reflect the change in language from the oversight commission to the board of directors. Rule 4123-21-06 is changed to correct a typographical error to the word “abeyance”. Rules 4123-21-01, 4123-21-02, 4123-21-04, 4123-21-05, 4123-21-07, and 4123-21-08 will remain unchanged. Mr. Fulton moved to recommend approval of the proposed changes to the Board of Directors, seconded by Mr. Lhota.

Mr. Lhota then noted that the headings for both motions required changes from the word “and” to the word “to”, to reflect inclusion of all rules in OAC Chapters 4123-20 and 4123-21. Mr. Sico assured this change would be in place for the Board meeting.

The motion regarding coal workers pneumoconiosis fund rules was approved by unanimous roll call vote.

2. Audit Committee Charter

Mr. Haffey advised that approved charter changes will be finalized by the January meeting.

3. BWC Business Continuity/Disaster Recovery Plan

Tom Wersell, Special Investigations Director, gave a presentation on BWC’s emergency response plan for business interruptions such as weather emergencies, or agency-specific interruptions such as a power outage in a service office. A pandemic flu plan is also in place.

Leo Genders, Chief Information Officer, discussed IT disaster recovery in the event the William Green Building is unavailable. Critical system backups are maintained in a fireproof, off-site environment in Columbus and BWC is under contract for two hot sites in Pennsylvania for critical mainframe systems and printing backup capabilities. Semi-Annual testing is done at the primary hot site. Tom Stevens, Disaster Recovery Manager, was introduced and reviewed objectives achieved in the most recent test. Disaster recovery test results from October 2007 were distributed.

Mr. Genders noted that 2008 objectives included utilization of the State of Ohio Computer Center on Lane Avenue for non-mainframe critical applications, such as the BWC website. The long-term goal is to partner with other state agencies to establish a state disaster recovery site, rather than outsourcing. In response to an inquiry from Mr. Fulton regarding the Industrial Commission’s computer security, Mr. Stevens stated that he is not aware of a disaster recovery hot site in place for the Industrial Commission. Mr. Genders and BWC Administrator Marsha Ryan emphasized that BWC and the IC are building a better IT relationship. Mr. Genders requested that he return to the Audit Committee to provide further updates in the fall of 2008.

DISCUSSION ITEMS

Fraud, Ethics and Internal Control Referral Process

Mr. Lhota has been in discussion with the Inspector General and F. Ronald O'Keefe, fiduciary counsel to the Board, regarding assurances that the Audit Committee and Board of Directors are kept apprised of these internal issues and any investigation. Mr. Wersell commented that meetings are held every two weeks with the Deputy Inspector General. Mr. Lhota noted that efforts will need to be made to establish information flow to the Audit Committee and the Board regarding these issues. Mr. Lhota recommended further review by Director Falls, as chair of the Governance Committee, for discussion in early 2008. Ms. Falls was in agreement with this recommendation.

Internal Audit Legislative Update

Joe Bell, Chief Internal Auditor, met with the Office of Budget and Management (OBM) to discuss the Audit Committee, BWC Audit Division and internal auditing plan. OBM has sent a survey to state agencies regarding audit staff and responsibilities. OBM's goal is to present a plan to the Controlling Board by May 2008 as to what state agency employees should fall under OBM. Mr. Bell emphasized that BWC's internal audit needs are still his first priority.

Open Discussion with Internal Auditor

Administrator Ryan discussed an example of employee wrongdoing and prompt, appropriate follow-up notification to injured workers whose private information had been compromised.

ADJOURNMENT

The next Audit Committee meeting is January 24, 2008 at 4:00 PM.

Mr. Haffey moved to adjourn the meeting at 5:08 PM, seconded by Mr. Fulton and Mr. Lhota.

Prepared by Jill Whitworth, BWC Staff Counsel
December 21, 2007