

Agenda
March 30, 2006
William Green Building, Level 2, Room 2
8:00 A.M.

Chairman Comments Denise Farkas

Approval of previous meeting minutes Denise Farkas

Old Business

KPMG Audit Conference..... Denise Farkas

New Business

Proposal UpdateMark Brubaker

RFP Process for Independent Auditor Cathy Moseley/Bob Hinkle

Adjourn Denise Farkas

The next WCOC Audit Committee meeting is scheduled for:
April 27, 2006
William Green Building, Level 2, Room 2
9:00 A.M.

AUDITOR OF STATE REQUEST FOR PROPOSAL (RFP) PROCESS

March 30, 2006

- 1) Discuss timetable; obtain BWC contact information for bid list on AOS website
 - a) Bid list identifies BWC audit contact and their contact information for IPA interest

- 2) AOS presents the Letter of Arrangement for Auditor of State (AOS) fees and the “Declaration of Intent to Engage an IPA” form 6157 to BWC
 - a) Fees represent AOS time for RFP process and annual audit report review by AOS Quality Assurance Department.
 - b) Form 6157 allows BWC to select IPA firms to receive an RFP
 - c) BWC signs both the Letter of Arrangement and form 6157 and returns to AOS
 - d) Region may add additional firms to form 6157; AOS Administration approves

- 3) Preparation of the Request for Proposal
 - a) AOS will customize for BWC
 - b) BWC will complete client-specific information
 - c) AOS electronically submits RFPs to selected firms

- 4) Pre-proposal conference at BWC for interested IPA firms **(2 weeks after step 3c)**
 - a) IPA firms have opportunity to ask questions about BWC before preparing bid.

- 5) AOS receives technical and cost proposals from IPA firms and submits technical proposals and grading sheet to BWC **(2 weeks after step 4)**

- 6) BWC grades all technical proposals and submits grading sheet to AOS
 - a) AOS will also perform a secondary grading of proposals

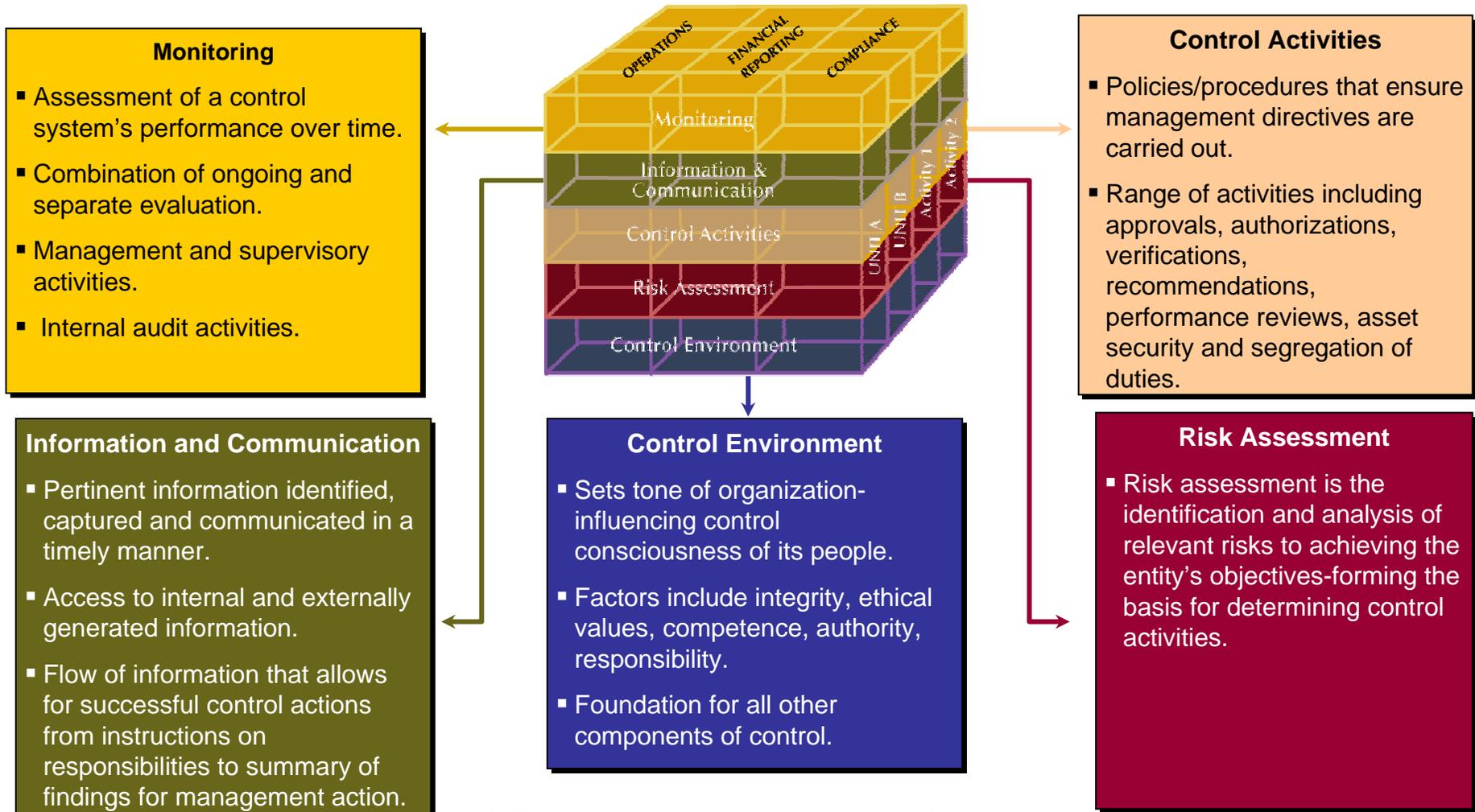
- 7) AOS submits cost proposals to BWC
 - a) BWC makes final decision on firm and submits decision letter to AOS

- 8) AOS prepares “Summary of IPA Contract Proposals” and submits, along with RFP, proposals, and decision letter to AOS Administration
 - a) This form summarizes BWC and AOS scoring
 - b) AOS (via Chief Deputy Auditor) approves selected IPA firm

- 9) Memorandum of Agreement signed by selected IPA firm, BWC, and AOS

NOTE: Steps 3 through 8 will take 6 to 10 weeks.

The COSO Framework



All five components must be in place for a control to be effective.

INTERNAL AUDIT DIVISION CHARTER

GENERAL

It is the policy of the Ohio Bureau of Workers Compensation (BWC) to provide and support an Internal Audit Division as an independent appraisal and consultation function to supply management personnel at all levels and the Audit committee of the Oversight Commission with objective evaluations, appraisals, and recommendations concerning the risk management, control and governance activities reviewed. The Division will also provide an independent assessment of the performance of programs activities and functions.

All audit activities will be governed by Generally Accepted Government Auditing Standards (GAGAS), and will provide information to improve accountability and facilitate decision-making by parties with the responsibility to oversee or initiate corrective action.

The Internal Audit Division will report to the Administrator through the BWC Chief of Staff, and will also have periodic meetings with Audit committee of the Oversight Commission.

AUTHORITY

The Internal Audit Division staff will be authorized to review all areas of the Ohio Bureau of Workers Compensation and to have full, free, and unrestricted access to all Ohio Bureau of Workers Compensation activities, records, property, and personnel. This also includes records that are placed in trust with parties such as Managed Care Organizations (MCOs) that contract with the BWC.

RESPONSIBILITIES

1. Conduct reviews of Divisions and control systems within the Ohio Bureau of Workers Compensation, at appropriate intervals, to determine whether they are effectively carrying out their functions of administration, accounting, safeguarding of Bureau assets, and control in accordance with management's instructions, policies, and procedures, and in a manner that is in agreement both with Agency objectives and high standards of administrative practice. This also includes reviews of entities such as MCOs that contract with BWC to perform state mandated functions and activities.
2. Conduct performance reviews of BWC operations. A performance review is an independent assessment of the performance of programs, activities and functions and may consist of the following:
 - a. assess compliance with laws, rules and policies applicable to the program;
 - b. assess whether the objectives of a new, or ongoing program are proper, suitable, or relevant;
 - c. determine the extent to which a program achieves a desired level of program results;
 - d. assess the effectiveness of the program and/or of individual program components;
 - e. identify factors inhibiting satisfactory performance;
 - f. determine whether alternatives have been considered for carrying out the program that might yield desired results more effectively or at a lower cost;
 - g. determine whether the program complements, duplicates, overlaps, or conflicts with other related programs;
 - h. identify ways of making programs work better;
 - i. assess the adequacy of the control system for measuring, reporting, and monitoring a program's effectiveness; and
 - j. determine whether reported measures of program effectiveness are valid and reliable.

3. Promptly report the results of examinations made by the auditors and their resulting opinions and recommendations to management personnel of sufficient authority to ensure that appropriate action is taken with respect to any deficiency noted.
4. Evaluate any plans or actions taken to correct reported conditions for satisfactory disposition of audit findings. If the disposition is considered unsatisfactory, see that further discussions are held to achieve satisfactory disposition.
5. Coordinate audit efforts with those of the Bureau's independent public accountants.
6. Participate in the planning, design, development, and implementation of major computer-based systems to determine whether:
 - a. adequate controls are incorporated in the systems;
 - b. thorough systems checking is performed at appropriate stages; and
 - c. systems documentation is complete and accurate.
7. Conduct periodic audits of data processing and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purposes and objectives.
8. Conduct special examinations at the request of management or the Audit Committee of the Oversight Commission.
9. Identify opportunities for cost reduction and profit improvement.
10. Review contracts and other agreements with outside firms providing goods and services as appropriate. Review the records and documentation of these outside firms when deemed necessary to ascertain compliance with contract terms.
11. Assist audit staffs of various regulatory agencies.
12. Submit annual audit plans through the BWC Chief of Staff to the Administrator/Chief Executive Officer and the Audit Committee for their review and approval.
13. Report to the Audit Committee of the Oversight Commission as to whether:
 - a. appropriate action has been taken on significant audit findings;
 - b. audit activities have been directed toward highest exposures to risk and toward increasing efficiency, economy, and effectiveness of operations;
 - c. internal and external audits are coordinated, so as to avoid duplication;
 - d. internal audit plans are adequate;
 - e. there is any unwarranted restriction on access by internal auditors to all BWC activities, records, property, and personnel.

AUDIT RESPONSES

The need for a written response to an audit report will be specifically indicated in the report. Normally a time limit to respond to audit findings and recommendations will be included in the audit report when a response is required.

If management response to any audit finding is not considered adequate, Internal Audit Division personnel shall consult with the management of the function being audited and attempt to reach a mutually agreeable resolution. If an agreement is not reached, Internal Audit Management shall pursue the matter through channels to appropriate members of management for resolution.

Internal Audit Division Strategic Initiatives

1. Establish the “Tone at the Top” with respect for the overall Control Environment as set by top management, including, but not limited to, integrity, ethical values, competence, authority, and responsibility.
2. Establish the mechanism for management to evaluate the overall design of internal control by using Sarbanes-Oxley Act of 2002 as a guideline.
3. Establish the mechanism for management to perform an assessment of the effectiveness of the internal controls.