

Board of Community Health
Audit Committee Meeting
October 13, 2005

The Board of Community Health Audit Committee Meeting met October 13, 2005, Twin Towers West, Floyd Room, 200 Piedmont Avenue, Atlanta, Georgia.

Committee members present were: Mark Oshnock, Chairman, Mary Covington, and Ross Mason.

DCH Staff available were: Carie Summers, CFO; Barbara Prosser, CIO; Kim Hinton, Director of Accounting and Financial Services; and John Hankins, Director, Internal Audit & Program Evaluation.

Mr. Oshnock called the meeting to order. The August 25, 2005 minutes were APPROVED and ADOPTED.

Mr. Oshnock called on Carie Summers, CFO. She reviewed today's meeting agenda: Committee response for FY 2004 Single Audit Findings and Management Points, Update on the FY 2004 Corrective Action Plans, Status Report of the FY 2004 Audit, and the annual planning for the Audit Committee.

Mr. Oshnock said rather than discuss management points he would like to discuss where the Department is today on those points. He asked what was the independent auditors' response to management's response. Ms. Summers said the Department and the JV have agreed to disagree on some points. For some subjects, the Department pointed out relevant facts or other considerations; but the auditors still perceived a need to show that the subjects had been communicated to both DCH and the State. Both the Department and the JV have discussed ways to avoid any surprises at the end of the process. The Department and the JV are meeting bi-weekly to review status and findings.

John Hankins began an update of the FY 04 Single Audit Findings as of October 2005 and what the Department is doing to correct each finding.

- 04-01 Conversion from EDS MMIS to ACS MHN System: one of the points brought out was the fact that the Department had to make claims payments in addition to prospective payments. He said 1. the MHN system is successfully paying claims and there is no need for prospective payments; 2. he reviewed the collection of and balance on those prospective payments; 3. DCH is actively addressing system conditions under a work order ticket management plan; and 4. DCH is implementing a systematic reprocessing plan with independent quality assurance procedures to achieve needed corrections to past claim payments.
- 04-02: Upper Payment Limit Calculation: The Department now has two people independently making the calculations and comparing the results. There is also oversight by CMS and review by providers on these calculations.
- 04-03 Receivables: The Department has strengthened its Benefits Recovery Unit to monitor and research accounts receivable. The Department revised its methodology for estimating doubtful accounts.

- 04-04 Accounts Payable and Other Accounts: The Department now has more coordination among its Contracts, Budget and Procurement Units to review all encumbrances; review all contracts and purchase orders; review all frequency payments; and ensure all subsequent event payments are reflected in the financial statements accurately.
- 04-05 Segregation of Duties: The independent auditors observed too many individuals had “super user” capacity in the PeopleSoft system. The Department has removed the General Ledger Super User functions from all associates that do not require the access; general ledger access has been removed from all associates that are designated to approve journal entries; the director of financial services has been removed as an authorized check signer and has no access to PeopleSoft; all security requests for People Soft FN access will require approval from two specific staff members; security access for PeopleSoft FN will be reviewed quarterly; and written procedures for wire transfers have been documented.
- 04-06 IBNR Data Reconciliation and Calculation: Mr. Hankins said the Department is aware that claims will be received after the year end; consequently an actuarial estimate is needed. The JV observed that the Department did not obtain a separate pharmacy claim paid run from the direct source. Mr. Hankins said for FY 05, the Department is saving the data directly from the pharmacy claim processing vendor. All other audit findings related to IBNR calculation and reconciliation cited in the FY 04 audit were discovered and corrected by DCH prior to completion of the FY 04 Audit. He said he does not expect a repeat of this finding.
- 04-07 Claims Processing IBNR Data Maintenance: This finding had to do with Quality Assurance on claims processing done by ACS, making sure that claims are adjudicating accurately and what is the Department doing to ensure that. Mr. Hankins said the Department has been performing QA on the claims data. One aspect of that is the Myers & Stauffer work that helps the Department identify claims payment errors. Priority tickets are created and a corrective action plan is put into place.
- 04-08 Administration of State Health Benefit Plan (SHBP): The JV’s recommendation was to establish separate health insurance funds for state employees, public school teachers, and public school or employees or request changes to the state law to allow them to operate under one plan. Before this report was received the Department had legislation sponsored and passed in the 2005 Legislative Session to allow the Department to manage the funds jointly.

Mr. Hankins continued with an update on the FY 2005 Financial Statement Audit. He said as of this week, the independent auditors know of no reason to prevent delivery of the audit reports by the November 18 target.

Mr. Hankins reviewed the ongoing estimation process for FY 05 Georgia Medicaid and PeachCare for Kids overpayments and underpayments (for categories of service other than pharmacy). He gave an overview of the estimation results comparing FY 04 and FY 05: a. claim population reconciled to the general ledger; b. sampling that claim population by Myers & Stauffer; c. repricing as claims are reviewed and tested; d. statistical inferences of the sampling of the population; e. post adjusting journal entries; and f. independent auditors have received all

estimation-related reports and supporting information and have so far indicated no audit obstacles.

Mr. Hankins said the Department is working with the independent auditors to get written confirmation about how much is owed to the Department of Human Resources (DHR) and how much DHR owes DCH.

Mr. Hankins said DCH has not received feedback on the independent auditors' actuarial evaluation of IBNR claim payment liability as of June 30, 2005.

Mr. Hankins stated the Financial Statement Audit traditionally has been the concern for timeline purposes, for audit opinions on the Department's and the State's financial statements, and for the State's issuing of bonds. He said the independent auditors continue to work simultaneously on the Single Audit and plan to issue on the same November 18 delivery expectation.

Mr. Oshnock began discussion on the annual planning for the audit committee. He said the charter was confirmed a few meetings ago. The Department presented a timeline of what should happen at each meeting. He said his only comment is that the Committee should define a meeting where the independent auditors attend at least one meeting a year on a formal basis. After discussion among the Committee and DCH staff it was decided that the annual planning calendar would be changed (Number 6) to indicate that the independent auditors would be asked to formally attend the audit committee meeting the month after the independent auditors' reports are issued. The annual planning calendar was UNANIMOUSLY APPROVED.

The Committee UNANIMOUSLY AGREED to not conduct a committee meeting in November.

There being no further business, the meeting was adjourned.

MARK OSHNOCK, CHAIRMAN
Audit Committee