

Board of Community Health  
**Audit Committee Meeting**  
April 12, 2007

The Board of Community Health Audit Committee met April 12, 2007, Twin Towers West, Floyd Room, 200 Piedmont Avenue, Atlanta, Georgia.

Committee members present were: Mark Oshnock, Chairman, Richard Robinson and Ross Mason.

DCH Staff available were: Carie Summers, CFO; John Hankins, Director, Internal Audit and Program Evaluation; Doug Colburn, Inspector General; Sonny Munter, CIO; Barbara Prosser, Director, MMIS; Kim Hinton, Director, Accounting and Financial Services; and Jody McHoul of Caggemini.

Mr. Oshnock called the meeting to order at 9:14 a.m. The February 8, 2007 minutes were UNANIMOUSLY APPROVED AND ADOPTED.

Carie Summers, Chief Financial Office, began with an update on the FY 2007 Pre-audit Activities. The first item discussed was the personal data that was lost between the offices of ACS and APS. Ms. Summers said DCH management staff involved in planning the FY 07 audit has not ascertained the impact of the data breach on financial information. The Department is particularly concerned about the personal information used fraudulently to bill Medicaid. Management recognizes that extras steps will have to be taken to assure that data is not being used fraudulently. Doug Colburn, Inspector General, said the data that was lost covers a four-year period. One of the things the Office of Inspector General will do is begin random sampling data and watch billing activity to determine if the claims activity is consistent with the member's record. In addition his staff will review the timeline of events.

Ms. Summers said another concern is the Statement on Auditing Standards (SAS) 70 Report. In the last several years, the Department has contracted with Mayer Hoffman McCann, a local accounting firm, to conduct a SAS 70 audit of ACS internal controls. Ms. Summers said due to the data breach, the Department may ask Mayer Hoffman McCann to do additional procedures or target different areas in the FY 2007 SAS 70 Report. Ms. Summers said the Department also needs to get started with benefit payment error rate calculations and then IBNR calculations. A discussion ensued regarding IBNR and the likelihood of assessing liquidated damages for the data breach. A pre-audit summit will be held for the Single and Financial Audits to discuss logistics, likely areas of concentration, establishing points of contact with staff, and reviewing previous findings and management points. After addressing Mr. Robinson's questions about past audits and repeat findings, Ms. Summers moved on to discuss Senate Bill 172.

Ms. Summers described Senate Bill 172 as a clean up bill for the OPEB fund--the Georgia Retiree Health Benefit Fund. The fund was created statutorily a few years ago and gives the Department a place to put assets for OPEB as well as other post employment benefits and use those funds to make payments to cover retiree healthcare expenses both now and in the future. She provided committee members with a legislative summary of the bill as passed by the Senate. Ms. Summers said the bill provides for two types of contributions; the "pay as you go" costs of each fiscal year and also for expense of retiree health care representing payments to be made in the future. The legislation would give the Board of Community Health the authority to establish employer contribution rates. A

discussion ensued about the differences in contribution requirements for state agencies' versus contribution requirements for local boards of education. The bill would also allow DCH to deposit the premiums the retirees pay into the Georgia Retiree Health Benefit Fund, as well as employer contributions. The bill also changes the fund reporting requirements to the DCH Board from monthly to at least annually and requires reporting to the Senate and House Appropriations Committees annually by September 30.

Ms. Summers moved on to the next agenda item—FY 07 Options to Allocate Employer Contributions for OPEB Purposes. She said by June 30, 2007, the Department must allocate a portion of the FY 2006 fund balance attributable to the retirees to the Georgia Retiree Health Trust Fund and allocate a portion of employer contributions received since July 1, 2006, to the OPEB fund to cover FY 2007 retiree healthcare costs. Ms. Summers said the benefit of doing this is to get credit as having an asset towards the liability. She said historically the SHBP audited statements have not been segregated between retiree and active assets and liabilities. Her proposal to the Committee is to utilize a certain percent of prior year claims paid in FY 2007 for retirees as proxy, apply a percentage to the FY 2006 fund balance, and allocate that amount to the OPEB Fund. She reviewed the dedicated and not-dedicated sources of employer contributions, the FY 2007 Estimated SHBP Revenue Sources and FY 2007 Estimated SHBP Expenditures. She asked the Committee to consider two options to allocate undesignated employer contributions. Option 1 is to estimate a percent of revenue needed to cover the expected FY 2007 retiree expense and as revenues are received, use this same percentage to automatically allocate the revenue to the OPEB fund each month. Option 2 is to determine the actual amount on retiree healthcare at the end of month and re-rate revenue in an amount equal to the retiree healthcare expenses to the OPEB fund. For either option retiree expenses will be charged to the OPEB Fund monthly. At year end, actuaries will determine what portion of the FY 2007 fund balance is associated with the OPEB Fund, and DCH will make corresponding deposits/credits to the OPEB Fund.

Ms. Summers said the next steps are for the Audit Committee to decide on an option for allocation of undesignated employer contributions. Staff would then prepare a board resolution reflecting the option selected. The Committee discussed the merits of the two options, agreed to continue the discussion at next month's meeting and have Ms. Summers prepare a resolution for each option in anticipation of the Committee's decision on the option for allocation of undesignated employer contributions.

There being no further business, the meeting was adjourned at 10:30 a.m.

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MARK D. OSHNOCK, CHAIRMAN  
Audit Committee