

Board of Community Health
Audit Committee Meeting
February 8, 2007

The Board of Community Health Audit Committee met February 8, 2007, Atlanta Technical College, the Cleveland L. Dennard Conference Center, 1560 Metropolitan Parkway, Atlanta, Georgia.

Committee Members present were: Mark Oshnock, Chairman; Mary Covington 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; Kim Hinton, Director, Accounting and Financial Services; Bryant Wilcher, Budget Director; and Terri Branning, Interim Director, State Health Benefit Plan.

Mr. Oshnock called the meeting to order at 9:06 a.m. The December 14, 2006 minutes were UNANIMOUSLY APPROVED AND ADOPTED.

Carie Summers, CFO, began with an update on the FY 2007 Pre-Audit activities. She expects the FY 07 audit to focus on Georgia Healthy Families and the significant changes in the payment methodology in the Medicaid program as it relates to a capitation payment to the Care Management Organizations versus the traditional fee-for-service model.

Ms. Summers reported that on the Statement on Auditing Standards (SAS) 70 Report, the department has been contracting with a CPA firm to perform the SAS 70 Audit for the Medicaid Management Information System (MMIS) and will continue to contract with Mayer Hoffman McCann. She asked John Hankins, Director, Internal Audit and Program Evaluation, to talk about the planning efforts for the SAS 70 Audit.

Mr. Hankins said he and Sonny Munter, CIO, met with Mayer Hoffman McCann to talk about the next SAS 70 Audit on Affiliated Computer Services (ACS) which operates the MMIS under contract with the Department. After receiving the Department's comments, Mayer Hoffman McCann (MHM) proposed to the Department a scope of work and proposed a list of documents to request from ACS. In FY 06, MHM reported a nonachievement of Control Object 3 – Data Security. Mr. Hankins said Mr. Munter has been monitoring this and asked MHM to go back to the MMIS location to do more work to review the corrective actions and to search for significant claim payments that had been made that were not authorized. No such unauthorized payments were found as reported in a previous committee meeting. Mr. Munter said he has asked MHM to pay close attention to the intrusion detection system and firewall. ACS outsourced the monitoring of the intrusion detection system to a company called Solutionary. So far, when problems occur, the problems and fixes have been reported to Mr. Munter.

Ms. Summers said the Department has begun to work on the Payment Error Estimation work that Myers and Stauffer has done for the Department in the last several years. She said DCH is doing this with the hope and not the expectation that the estimations will not need to be used in the financial statements. Given the significant change in Georgia Healthy Families (GHF) and some of the findings that were made in the last report by Myers and Stauffer, the Department needs to continue checking error rates. Ms. Covington asked if this work will be as extensive as in the past. Ms. Summers said she expects the work to be more extensive because the Department will ask Myers and Stauffer to validate 100% of the capitation claims paid to the CMOs for nine months and extrapolate the last few months.

Ms. Summers said the Department's goal is to have the financial statements done by mid-August. The deadline that all state agencies are given is September 30 to turn in their audited financial statements to the State Accounting Officer. Ms. Summers said realistically it could take until the end of October to complete the audited financial statements since DCH has such a large budget and independent auditors need at least 8-9 weeks to do their work.

Ms. Summers asked Mr. Hankins to talk about details of the Payment Error Estimation work. Mr. Hankins reported that the department is defining groups 1, 2, 3 and 4. Traditionally, group 1 has been fee-for-service, group 2 is capitation payments for GHF, group 3 fee-for-service payments made for GHF members, and group 4 will be capitation payments made for programs such as the Pre-Admission Screening Resident Review, Georgia Better Health Care, Disease Management and Non Emergency Transportation. He said the Department is finalizing the contract with Myers and Stauffer and determining the predicted sample sizes. There will be a shorter period of testing for group 1 to enable the Department to reach the financial reporting deadlines.

Ms. Summers reported that the Department continues to address Finding 01 – Payment Accuracy of the MMIS.

Ms. Summers began discussion on Governmental Accounting Standards Board (GASB) Statements Numbers 43 and 45. She introduced Richard Ward, an actuary with Cavanaugh Macdonald, whose firm did the valuation of the health plan, to present the valuation that reflects the status of retiree health care costs as of June 30, 2005. In Fiscal Year 2007, the state will be required to disclose retiree liability for the State Health Benefit Plan, as well as the annual required contributions to fund that liability over a 30-year period. That number is made up of two components: 1. recognizing current cost of retirees and reflecting the future costs of existing retirees; and 2. reflecting the future costs of future retirees. The unfunded actuarial accrued liability is \$15 billion for the period ending in June 30, 2005.

Ms. Summers said in the future the Department will come to the board for approval to take existing revenue contributions in the Plan and segregate revenues into the

Georgia Retiree Healthcare Trust Fund, and the other part would remain in the SHBP Health Benefit Fund for active employees. The Georgia Retiree Healthcare Trust Fund then would be considered an asset that would count against the liability. The Governor, for FY 08, has recommended the appropriation of \$100 million for the GASB 45 requirement that will be paid into the SHBP, and those dollars would be deposited in the Georgia Retiree Healthcare Trust Fund. That \$100 million would be used for long term investment. GASB 43 liabilities are reported but not required to be placed on the balance sheets.

In addition, the Department will ask for the board's approval to disaggregate the employer's contributions to allow in FY 07 dedicated assets for the retirees. Therefore, in future valuations, these funds could be considered as an asset against the annual required contribution.

Next steps are seeking the board's approval on the disaggregation of FY 2007 assets and determining what the state will charge payroll locations for the GASB 45 contractual requirements in FY 2008.

There being no further business, the meeting was adjourned at 10:11 a.m.

MARK D. OSHNOCK, CHAIRMAN
Audit Committee