

Board of Community Health  
Audit Committee Meeting  
October 12, 2006

The Board of Community Health Audit Committee met October 12, 2006, Twin Towers West, Floyd Room, 200 Piedmont Avenue, Atlanta, Georgia.

Committee members present were: Mark Oshnock, Chairman, Ross Mason, and Richard Holmes. Mary Covington was not present.

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

Mr. Oshnock called the meeting to order at 10:15 a.m. The August 10, 2006 minutes were UNANIMOUSLY APPROVED and ADOPTED.

Mr. Oshnock called on John Hankins to continue from the last meeting discussion on Charter Responsibility # 11 – *Review policies for the administration of Board and staff reimbursable expenses and, if appropriate, review a summary of reimbursable expenses.* Mr. Hankins said he talked with the General Counsel and was furnished with an answer from a staff attorney.

You also asked about the board's reimbursed expenses. The TRS board's reimbursement is specifically set forth in statute at 47-3-21c and provides for per diem and actual expenses to include transportation and meals. Our board, however, would be subject to the compensation for board and commission members set forth in 43-1-2 and 45-7-21. This allowance is a daily expense of \$105.00 plus actual transportation or legal mileage rate for a personal auto.

From the General Counsel, Mr. Hankins presented the following commentary:

It is my understanding that this charter originated from another state agency and was not necessarily grounded in any specific statute or regulation. As you know those staff expenses that are reimbursed should be reviewed/audited internally as we should have internal controls in place to do so. Arguably, the Board may keep or eliminate this requirement.

Mr. Hankins said he believes the General Counsel is of the opinion that the Committee has the option of keeping, or not keeping, the policy in the charter. Ms. Summers said based on the comments from legal staff, she questioned how much control the Committee really has over reimbursable expenses. Mr. Mason MADE a MOTION to have stricken from the Charter Responsibility # 11. Mr. Holmes SECONDED the MOTION. The MOTION was UNANIMOUSLY APPROVED.

Mr. Oshnock called on Kim Hinton to give an upgrade on the general ledger system. Ms. Hinton said the original close date was Friday, August 4 for Fiscal Year 2006 which ended June 30. DCH finally closed on Friday, September 8. She and Ms. Summers said basically the Department is a month behind. PeopleSoft conversion is part of the delay and the estimation project is much more complicated this year because of the Georgia Healthy Families implementation. Originally statements were supposed to be audited and to the State

Accounting Office in mid November; now the Department is one month delayed toward the middle of December.

Ms. Hinton said staff is on target for the audit. The Department may not have the "Management Discussion and Analysis" report completed and reviewed. The statement cannot be completed until staff receives the liability and receivable numbers from the estimation project from Myers and Stauffer. The IBNR cannot be calculated until the estimation project is completed. From the time the Department gets the IBNR, the Department hopes to be able to complete financial statements in two days. The target date for the audit to be completed is December 15—December 22 at the latest, assuming the auditors take the full nine weeks between the point in time they get the statement and their final report. Staff met with auditors on October 11 to talk about things the Department could do to expedite their timeline. Ms. Summers said one good thing this year is having a software system to prepare financial statements versus doing them through a manual process in Excel. Ms. Summers said Lynn Vellinga and Tommy Hills also attended the October 11 meeting and are very concerned about the Department's ability to get the final audited report to them sometime in mid December. Their deadline for the State CAFR is the end of December. There are also issues with the Joint Venture since they have other business commitments in the month of December.

Mr. Oshnock asked Ms. Summers to discuss Nonachievement of an MMIS control objective. Ms. Summers said Mayer Hoffman McCann (MHM) once again did the SAS 70 for ACS, an internal control audit on the MMIS. The report the Department received on April 18 indicated that there was a finding related to data security in the ACS MMIS. Several factors led to not meeting that control objective such as: the Intrusion Detection System (IDS) was not functioning for about four months, and this weakness was not discovered until the SAS 70 Audit when MHM asked about it. There were other security weaknesses that have been identified as exceptions in prior years' reports, but did not result in opinion findings in prior SAS 70 reports. The Department followed up with ACS; ACS provided a response to that report. The Department re-engaged MHM to go back to ACS and evaluate the ACS responses to the original SAS 70, particularly corrective actions or additional information. The Department also engaged MHM to look at claims information to inform the Department if someone was able to breach the system when the IDS was not functioning. This report is in the final stages; the exit conference was held last week. The Department made a request for MHM to finalize the report and send it to the Department. This report will be provided to the financial statement auditors of BKR Metcalf Davis/Mauldin & Jenkins. The report suggests that ACS has taken some corrective actions. One of the things ACS has done is outsourced some monitoring of the IDS to an external company and updated the IDS. Ms. Summers said there are some areas that need improvement. Next steps for management, DCH CIO and MMIS Director are to review the follow-up report with ACS. She offered to share a copy of the report with the Audit Committee and ask ACS to talk directly with the Committee in November about their views and corrective action plan.

Mr. Oshnock asked Ms. Summers and Mr. Hankins to discuss payment errors necessitating analysis/adjusting journal entry before FY 06 financial statement preparation. Mr. Hankins said the Department performed this process in FY 04 and FY 05. In FY 06, there are four groups of payments. Group 1 is comparable to what was done in FY 05 – fee-for-service traditional Medicaid and SCHIP payments preceding the activation of Georgia Healthy Families. Forty-three thousand claims were sampled. Group 2 is capitated claims for Georgia Healthy Families. Group 3 is a review of fee-for-service payments during June. Group 4 is other capitated payments such as Georgia Better Health Care. Mr. Hankins offered an example: in FY 06, Group 2, there was a search for duplicate payments using eight queries and a review of every

capitation claim made in June (600,000 claims). Overpayments totaled \$600,000. Those adjustments are part of the financial statements as accounts receivable.

Ms. Summers said at some point management would like to bring in Myers and Stauffer to formally present their findings. She and Mr. Oshnock discussed inviting Myers and Stauffer, Mayer Hoffman McCann, and ACS to the November meeting and asking the Joint Venture to attend the December meeting.

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

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MARK OSHNOCK, CHAIRMAN  
Audit Committee