

State Audit Committee
Internal Audit Division Overview
Geoffrey A. Phillips, Interim BWC Chief of Internal Audit

Topics for sharing:

1. **FY 2014 Accomplishments**

- 51 observations (see chart) from 30 internal audits

2. **FY 2015 Plan**

- 33 audits and 48 quarterly assessment (see chart)
- Risk Assessment Process (see heat map)
- Staff: 14 positions with 11 incumbents while actively filling 3 open slots / 9 of 10 or 90% hold certifications with the 9 holding 15 certifications / 14 years of average experience / MOU with OIA gives access to IT Auditors – five focus areas with ITGC being the primary focus.

3. **QA recommendations:**

- TeamMate
- IIA Quality review

4. **Resources**

- OIA
- Lottery CIA
- BWC Audit Chairman
- Schneider Downs Shareholder

5. **CORE**

- Pause button is ON / \$65 Million project merging two key operating systems
- Factoring in Prospective billing / converting employer premiums from retrospective
- Adding metrics to contract

EFFECTIVENESS

One measure of effectiveness is the reliance a third party may place on the internal control environment at BWC. A measure of effectiveness is the number of action plans mutually agreed to by Internal Audit and Management. The IA Division’s high percentage (**100%**) indicates good communication during the engagement and client satisfaction with the auditors’ work. Quantifying direct dollar savings is difficult since it is dependent upon management’s implementation. Our audit findings included significant improvements to organizational processes, however, which will result in long-term cost reductions. The table below summarizes by functional area the internal control environment assessment and the **51 open action items** (19 High and 32 Medium):

Functional Area – Control Design Summary	Assessment		Open Action Plans		Functional Area – Control Design Summary	Assessment		Open Action Plans	
	Inherent Risk	Internal Controls	H	M		Inherent Risk	Internal Controls	H	M
Actuary (2 reviews)	HIGH	ADEQUATE	2	-	Legal / Special Investigations -- Bankruptcy	MEDIUM	NEEDS IMPROVEMENT	-	2
Claims / Field Operations – Wages & Compensation (five different reviews of wages & compensation types)	HIGH	NEEDS IMPROVEMENT	1	6	Legal / Special Investigations – Subrogation	MEDIUM	ADEQUATE	-	1
Employer Services – Employer Programs Department	MEDIUM	TBD	1	-	MCO Compliance	HIGH	ADEQUATE	-	-
Employer Services – Professional Employer Organization (PEO)	MEDIUM	NEEDS IMPROVEMENT	-	4	Medical Office – Pharmacy	MEDIUM	TBD	2	1
Employer Services – Self Insured Department	MEDIUM	ADEQUATE	2	-	Medical Office – Provider Relations	MEDIUM	NEEDS IMPROVEMENT	3	1
Employer Services – Underwriting and Premium Audit Department	HIGH	NEEDS IMPROVEMENT	-	4	Medical Services – Fee Survey	HIGH	ADEQUATE	1	-
Fiscal & Planning – Dividend and Rebate	HIGH	ADEQUATE	-	1	Medical Services – Health Partnership Program (HPP)	MEDIUM	NEEDS IMPROVEMENT	1	3
Fiscal & Planning – Payments on Demand	MEDIUM	ADEQUATE	2	-	Medical Services – Medical Billing & Adjustments (MB&A)	MEDIUM	ADEQUATE	-	-
Fiscal & Planning – Purchasing & Invoice Processing	MEDIUM	ADEQUATE	-	-	Medical Services – Business & Reporting	MEDIUM	ADEQUATE	-	-
Fiscal & Planning – Receivables & Check Processing	MEDIUM	NEEDS IMPROVEMENT	2	2	Medical Services – Transitional Work	MEDIUM	ADEQUATE	-	2
Fiscal & Planning – Year End Close	MEDIUM	ADEQUATE	-	-	Medical Services – Vocational Rehab	MEDIUM	NEEDS IMPROVEMENT	1	3
HR / Benefits	LOW	NEEDS IMPROVEMENT	1	-	Safety & Hygiene	LOW	NEEDS IMPROVEMENT	-	2
Investments	HIGH	ADEQUATE	-	-					

QUARTERLY ASSESSMENT CALENDAR FOR FY 2015

As a part of our Annual Risk Assessment Process, an annual audit plan is compiled and communicated to the BWC Audit Committee, Administrator and affected Divisions. In addition to the annual plan audits, IAD meets quarterly with the Division Chiefs as a key component of our continuous auditing cycle.

During these meetings, the Chiefs are able to share with IAD progress on previous recommendations for strengthening design and/or implementation of control objectives. IAD's FY 2015 calendar for the quarterly assessment reviews with Division leaders is shown with a ✓ for the quarterly assessment, while a ✓ indicates a quarterly assessment in combination with a draft audit review and a ⊙ indicates an audit is on the calendar for that month:

Division	Primary Owner	July 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	Jun 2015
Actuarial	Chris Carlson, Chief Actuarial Officer		✓			✓			✓			✓	
Claims / Field Operations	Tina Kielemeyer, Chief of Field Operations		✓	⊙	⊙	✓			✓		⊙		✓
Employer Services	Kevin Abrams, Chief of Employer Services		⊙	✓		⊙	✓		⊙	✓			✓
Financial Reporting	Barb Ingram, Interim Chief Fiscal & Planning Officer		⊙	✓			✓	⊙	✓			✓	
HR / Benefits	Toni Brokaw, Chief of Human Resources		✓			✓			✓			✓	
Information Technology (reviews done by Office of Budget & Management's Office of Internal Audit)	Kathy Martin, Chief Information Officer	OIA			OIA			OIA			OIA		
Investments	Bruce Dunn, Chief Investment Officer				✓			✓		✓			✓
Legal	Sarah Morrison, Chief Legal Officer		⊙	✓	⊙		✓	⊙		✓			✓
MCO Compliance	E. Richard Percy, Chief of Operational Policy, Compliance & Analytics			✓			✓			✓			✓
Medical Office & Pharmacy	Dr. Steve Woods, Chief Medical Officer		✓			✓		⊙⊙	✓			✓	
Medical Services	Freddie Johnson, Chief of Medical Services		✓	⊙	✓			✓			✓		⊙
Safety & Hygiene	Abe Al-Tarawneh, Superintendent of the Division of Safety & Hygiene			✓			✓			✓		✓	
Strategy / Public Policy	Jeremy Jackson, Chief of Public Policy & Strategy		✓		✓			✓			✓		

IAD Risk Assessment Summary Results

BWC Objective Risk Ratings by Division

