

Board of Community Health  
Audit Committee Meeting  
August 9, 2007

The Board of Community Health Audit Committee met August 9, 2007, Twin Towers West, Floyd Room, 200 Piedmont Avenue, Atlanta, Georgia.

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

DCH Staff available were: Carie Summers, Chief Financial Officer; John Hankins, Director, Internal Audit and Program Evaluation; Sonny Munter, Chief Information Officer; Nancy Goldstein, Director, State Health Benefit Plan; and Charemon Grant, General Counsel.

Mr. Oshnock called the meeting to order at 9:16 a.m. Carie Summers introduced Dan Klapheke of Mayer Hoffman McCann to present the outcome of the Statement of Auditing Standards (SAS) 70 Report, John Hammack of Affiliated Computer Services Inc. (ACS) who will respond to the outcome of the SAS 70 Report, and Sonny Munter to speak on behalf of the Department regarding the Medicaid Management Information System (MMIS) oversight. Ms. Summers said this report is a critical part of the financial audit.

Mr. Klapheke stated that Mayer Hoffman McCann (MHM) performed the SAS 70 related to ACS's Georgia MMIS for a twelve-month timeframe—from June 1, 2006 through May 31, 2007. Mayer Hoffman McCann's opinion issued was unqualified—a clean opinion. MHM noted some findings in the report. He said the report is divided by opinion, a lengthy discussion about controls, tasks MHM performed and the result of those tasks. He said MHM had some issues with data security and certain things that MHM thinks should have been performed that were not performed and some other issues that were noted during the SAS 70. The significance of those, while many of them were significant, did not raise the level of control weakness to modify MHM's opinion on the report. In addition to the findings that are noted in the report, MHM issued a management letter that goes into more detail about some things MHM noted during the SAS 70 in addition to findings noted and suggestions for strengthening internal controls and operating effectiveness at ACS. Mr. Klapheke said the report and management letter are final. It was issued August 3 and delivered to the Department and ACS. Mr. Hankins, Mr. Munter, and Ms. Summers provided the Audit Committee with a copy of the report and management letter.

Mr. Robinson said he read last year's report and it contained a number of recommendations. He asked what has been done about last year's recommendations. Mr. Klapheke said in last year's report MHM issued a qualification on the opinion because MHM felt that there were material weaknesses in the control structure, particularly those weaknesses surrounding logical access to the system. In addition, the intrusion detection system (IDS) that monitors attacks to the system was not operating for a period of time during the SAS 70 period. Those two areas of concern were addressed by ACS during the most recent audit period. There is an active monitoring of the IDS currently, and there is now a monthly procedure in place for logical access to the system.

Mr. Robinson said MHM stated that several documents requested were not produced for an extensive amount of time and he wanted to know the reasons for the delay. Mr. Klapheke said some of the documents required coordination with individuals outside of the Georgia MMIS project within ACS. Mr. Robinson asked if these delays resulted in increased audit fees. Mr. Klapheke stated that it did not increase audit fees but it did delay the issuance of the report. Mr. Robinson asked if staff was working to address this to cut down on the length of the auditing period in the future. Mr. Munter deferred to ACS for response, but he said his concern is the issues ACS had with the IDS software. He said he would have thought ACS would be very firm about preparation for the SAS 70 work this year. Mr. Munter expected that the documentation would have been readily available, but that did not occur.

Mr. Hammack said the delay in providing information to MHM is more of an administrative issue. He said he received the management letter on August 8 and ACS will prepare a formal response in the next few days. Dan Fry of ACS discussed ACS's progress in access control, the efforts of Solutionary (ACS's outsourced IDS vendor), documentation delays, password management (third party platform), and environmental controls.

Charemon Grant, General Counsel, directed the Committee's attention to the section of the management letter that addresses the transmission of electronic HIPAA related information. She said in light of the recent data breach how will this notation fit into the corrective action plan that was submitted in response to the data breach and asked ACS to address this in its response to the management letter.

Mr. Oshnock asked if there are findings in the SAS 70 Report that are not in the management letter. Mr. Klapheke reiterated that all findings listed in the report are also included in the management letter but is extended to some items that may not have had a direct correlation to a control activity but was something MHM noted during its work and felt the need to mention.

Mr. Robinson asked whose responsibility is it to monitor corrective actions for this year's findings to alleviate the need for a management letter next year. Mr. Munter stated that he and Mr. Fry would be responsible for oversight. Mr. Klapheke suggested two audit efforts—perform a more robust testing throughout the year so that the auditors could rely on internal controls and complete in a more timely fashion the final SAS 70 Report. Ms. Summers said she and Mr. Munter would discuss this idea further.

Ms. Summers moved on to the Resolution for SHBP Employee Contributions for Calendar Year 2008. The resolution will go before the full board today for approval. The Board typically agrees to employee contribution rates via a resolution. This resolution asks for a 10% increase for all options except the consumer directed health care product previously offered at pilot sites but will be offered statewide in Calendar Year 2008. Mr. Oshnock asked that Ms. Summers explain in the full board meeting the rationale for the 10% increase. Mr. Robinson asked Ms. Summers to also discuss with the Board the long range plan to streamline the amount of options available to employees and pricing strategies. Mr. Robinson and Nancy Goldstein, Director, State Health Benefit Plan, discussed the merits of offering fewer options, purchasing power, economy of scale, and consumer directed care. Ms. Goldstein and Ms. Summers reviewed the different rates for different classifications of employees and retirees.

Ms. Grant discussed the final agenda item—proposed changes to Rules 111-4-1-.01 and 111-4-1-.13 which relate to OPEB. The rules will be presented to the full board for initial adoption to address the operation of the Georgia Retiree Health Benefit Plan Fund. In 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 which requires public agencies to report certain costs and obligations pertaining to health care benefits of current and future retired members. One obligation of the reporting is the public agency has to give information on how the liability will be funded. The rules presented today will outline what the fund does, who has operation of the funds, and how the fund is going to be funded. Mr. Oshnock asked Ms. Grant about wording in 111-4-1-.13(1); *The Board shall annually determine Other Post Employment Benefits (OPEB) liability.* Ms. Summers said the Board would be responsible for determining OPEB liability by relying on the actuary's attestation or certification and that it is important to have this base number to determine the contribution requirement for the employers who are members of the Plan. Mr. Oshnock asked if the word "determine" could be changed. Ms. Grant agreed to change "determine" to "review."

Ms. Summers and Mr. Hankins mentioned several possible agenda items for the September meeting: a report from Myers and Stauffer on payment errors, a status report on the single audit from the independent auditors, a status report on the Retiree Health Benefit Plan Fund and consideration of a resolution that will address segregation of pay-as-you-go amounts, and getting the board's approval on transmitting long term investment amounts to the Employee Retirement System for investment purposes.

There being no further business, the meeting was adjourned at 10:19 a.m.

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MARK D. OSHNOCK, CHAIRMAN  
Audit Committee