

Greater Tompkins County Municipal Health Insurance Consortium
Audit Committee Meeting
Thursday, March 21, 2013 - 3 p.m.
Old Jail Conference Room

Agenda

1. Call to Order
2. Approve Minutes of February 21, 2013 meeting
3. Overview of work performed by Consultant, Locey and Cahill
4. Review Draft Charter
5. Review of Sample Whistleblower Policies
6. Reports to Board of Directors
7. Topics for future discussions:
 - a. Overview of work completed by the Bonadio Group (April)
 - b. Become Familiar with current audit by NYS Financial Services
 - c. Internal Controls
 - d. Oversee development of Code of Ethics and Conflict of Interest Policy
 - e. Develop RFP for various audit services
 - f. Review external audit report (May)
 - g. Review 1st quarter 2013 report (May)
8. Other Items
9. Adjournment

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Audit Committee
February 21, 2013 - 3:00 p.m.

Attendees: Steve Thayer, Judy Drake, Chuck Rankin, Laura Shawley, Chantalise DeMarco, Michelle Pottorff
Guests: Jerry Mickelson, Mimi Thuesen, CDLM (Ciaschi, Dietershagen, Little, and Mickelson)

Call to Order

Mr. Thayer called the meeting to order at 3:05 p.m.

Acceptance of Minutes

It was MOVED by Ms. Shawley, seconded by Ms. DeMarco, and unanimously adopted by voice vote, to approve the minutes of January 17, 2013 as corrected.

Review of Charter Samples

Mr. Thayer asked for comments on the sample of charters included in the agenda packet. Members preferred the Appendix II sample. Mr. Mickelson said one of their recommendations was that there be an audit of claims. Mr. Thayer will have the Appendix II document customized to the Consortium and will incorporate Mr. Mickelson's comment and include for review on the next agenda.

Overview of External Audit Function

Mr. Mickelson said CDLM executed an engagement letter last year with David Squires for a three year contract. Their expectations are that the Bonadio Group will be preparing the Consortium's annual report and they will audit that document; he doesn't expect any differences in the methods of accounting. He distributed a document outlining the CDLM audit process.

Ms. Thuesen said there is a substantial amount of work that goes on in the planning stages that is critical to performing an audit in an effective and efficient manner. There are inquiries that are made of management, others in the organization, and of members of the Board and/or Audit or Finance Committee. Although it was not possible in the first year, she expects an analytic review to be done this year of the budget to actual results. They read Board and committee minutes to get an understanding of what was discussed as well as contracts. And they complete a narrative of the business cycles of the Consortium to ensure the information is reasonable. After that work is done they determine the preliminary risk assessment that will tell what the significant audit areas are and establish a preliminary audit plan.

Ms. Thuesen said they perform a walk-through of cash disbursement and receipt cycles to make sure policies and procedures are being implemented. Once this work is complete they

determine what they need to do substantive testing for. Their philosophy is to test every material balance on the balance sheet and cash is always a significant audit area.

Ms. Thuesen said they send out confirmations to municipalities to verify revenues and look at claim runs being paid. They also look at year-end to make sure that the cut off has been properly captured in receivables and liabilities. They then evaluate the audit results and update the preliminary audit plan and risk assessment as needed.

Mr. Mickelson said draft financial statements will be prepared and circulated for review in the committee structure. They will also review the management letter comments from last year and they will be incorporated into the audit process. They will be looking at board minutes, including the lack of quorum at meetings that was noted in the previous audit.

With regard to last year's audit, Mr. Mickelson said he suggested adding a footnote to the financials showing every participant's initial capital contribution. He said last year in the Excellus Administrative Services contract there was a deposit of \$718,000 that didn't agree with the amount of \$798,600 but his understanding is that has been paid now so that should have self-resolved. In the last audit it was also commented that the deposits should be collateralized and that the annual report submitted did not agree with the underlying County records but he doesn't think that will be an issue this year. In response to a question by Ms. Drake, Mr. Mickelson said he expects the work being done by the Bonadio Group will make the process run smoother in the upcoming audit.

In terms of timing for the 2012 audit, Mr. Mickelson said they will begin work once the draft of the annual report is released to them and he expects to begin work in late April/early May. A draft of the audit will come to this Committee and this Committee will make a recommendation to the full Board.

It was suggested that Mr. Locey be invited to attend the next meeting to provide an overview of his work.

Mr. Mickelson said there is one area in the audit process where timing is a factor such as if there are any Stop Loss reimbursements in process at December 31st. It was suggested that the Bonadio Group contact Mr. Locey about this.

Mr. Mickelson said Gail Ross of the New York State Department of Financial Services will be on-site through March 8th conducting the State Audit and expects a draft report to be available in late Spring. He said the Consortium should expect some questions once the amended annual statement is filed but believes any questions can be quickly resolved.

Review of Annual Statement

Mr. Mickelson reviewed the changes that have been made to the amended 2011 Annual Statement. He explained that he went through the report to incorporate any changes that were suggested.

Consortium Executive Committee
February 21, 2013

Meeting Schedule

The Committee established the third Thursday of each month at 3 p.m. for regular meetings.

Next Agenda Items (March 21, 2013)

The following items will be included on the next meeting agendas:

- Overview of work performed by the Locey and Cahill (March)
- Review draft Charter (March)
- Overview of work completed by the Bonadio Group (April)
- Review external audit report (May)
- Review 1st quarter 2013 report (May)
- Oversee development of Code of Ethics and Conflict of Interest Policy
- Develop Request for Proposals for audit services
- Reports to Board of Directors

Adjournment

The meeting adjourned at 3:55 p.m.

Greater Tompkins County Municipal Health Insurance Consortium

Audit Committee Charter

Draft dated 3-15-2013

On behalf of the Board of Directors of Directors, the Audit Committee is charged with receiving reports on:

- the financial condition of the Consortium,
- the risks faced by the Consortium in achieving its objectives, and
- the procedures that appropriately mitigate the risks to the Consortium's financial health and reputation.

The Audit Committee shall review with the external and internal auditors the financial statements, the financial reporting process, the system of internal controls, the audit process, and the Consortium's monitoring of compliance with laws and regulations. The Audit Committee shall report this information to the Board of Directors.

In addition, the Audit Committee shall provide its recommendations for action to be taken by the Board of Directors and management in order to strengthen the Consortium's controls, compliance procedures and financial reporting process.

The Audit Committee shall monitor management's progress in responding to the internal and external auditors' findings.

The Audit Committee shall be composed of no fewer than three and no more than five Board of Directors members. No member of the Audit Committee shall be an officer or employee of, or receive any compensation from, the Consortium. The Board of Directors treasurer may not serve on the Audit Committee. **The president, executive director or CEO shall be an ex officio non-voting member of the Audit Committee.** At least one member shall serve as the financial expert, defined as an individual professionally knowledgeable in business management and financial reporting. Ideally, the financial expert shall have specific experience with a similar Consortium.

Internal control

- Assuring that management is setting the appropriate tone in communicating the importance of internal controls and in establishing policies and procedures to mitigate risk;
- Determining whether internal control recommendations made by internal and external auditors have been implemented by management;
- Making certain that the internal and external auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control and other audit-related matters;
- Determining which aspects of internal control and compliance procedures are being tested annually by the internal and external auditors; and
- Understanding the nature of significant deficiencies and material weaknesses reported with the financial statements and reportable findings under *Government Auditing Standards*

General

- Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understanding their impact on the Consortium's financial statements; and
- Reviewing significant risks and exposures and the plans to minimize them

Annual financial statements

- Reviewing the annual financial statements and related footnotes and assessing whether they reflect appropriate accounting principles;
- Reviewing the Management Discussion and Analysis (**MD&A**) disclosures and concluding as to their reasonableness based on the Audit Committee's knowledge of the Consortium;
- Reviewing the management letter and monitoring the Consortium's compliance with its recommendations;
- Ascertaining whether the internal and external auditors have communicated issues and concerns to each other for appropriate follow-up and action;
- Verifying that the external auditors communicate all matters to the Audit Committee as required by their professional standards; and
- Review, as necessary, other monthly or quarterly financial statements for accuracy and timeliness

Compliance with laws and regulations

- Reviewing the effectiveness of the Consortium's system for monitoring compliance with laws and regulations; and
- Satisfying itself that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- Reviewing the findings of any significant examinations by regulatory agencies; and
- Reviewing any state funding and reports filed

Internal audit

- Ascertaining that the organization has the appropriated structure and staffing levels to carry out its internal audit; and
- Confirming that health insurance claims are audited, internally as needed

External audit

- Selecting and retaining the Consortium's external auditors; and
- Approving the external auditors' fees; and
- Reviewing and approving the external auditors' proposed audit scope and approach; and
- Reviewing the performance of the external auditors and recommending their retention or discharge; and
- Reviewing and confirming the external auditors' assertion of their independence in accordance with professional standards; and
- Reviewing and approving the engagement of the external auditors to perform services, including consulting services, unrelated to the audit

Reporting responsibilities

- Reporting to the Board of Directors at least annually with appropriate recommendations regarding the Audit Committee's activities and any key external audit issues

Other responsibilities

Audit Committee Charter

- Meeting with the external auditors, internal auditors and management in separate executive sessions at least annually;
- Confirming that significant findings and recommendations made by the internal and external auditors are received, discussed, and acted upon appropriately and promptly;
- Reviewing and updating the Audit Committee Charter; and
- Reviewing and approving the Consortium's conflict-of-interest, code-of-ethics and whistleblower policies



**GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM
(GTCMHIC)
WHISTLEBLOWER POLICY**

Objective: This policy implements New York State Labor Law §740 and Civil Service Law §75-b **Adoption Date:**
Reference: Labor Law §740; Civil Service Law §75-b; Federal **Effective Date:**
(All Applicable False Claims Act, 31 U.S.C. § 3729 *et seq.*
Federal, State and Local Laws)

General Information: This policy is intended to support the reporting of illegal activities and to protect officers and employees from retaliation who, in good faith, have reported a concern about improper governmental action.

If the activities are not illegal but are violations of the Code of Ethics, the GTCMHIC officer or employee should report the violation to the Ethics Advisory Board.

- I. Definitions:**
- Good-Faith Report**—A report of activity that the employee has reasonable grounds to believe to be true and that the employee reasonably believes constitutes improper governmental action, even if the belief should later prove to be unsubstantiated.
 - Improper Governmental Action**—Action taken, or threatened to be taken, directly or indirectly, by the GTCMHIC or any GTCMHIC officer or employee in the performance of the officer's or employee's official duties, whether or not such action is within the scope of his or her employment, that is in violation of any federal, state, or local law, rule, or regulation.
 - Relative**—A parent, step-parent, spouse, spouse equivalent, domestic partner, sibling, step-sibling, sibling's spouse, child, step-child, grandparent, parent of spouse or spouse equivalent or domestic partner; including in-laws and members of the household of a municipal officer or employee, and individuals having any of these relationships to the spouse of the officer or employee.
 - Retaliation**—Disciplinary or other adverse personnel action relating to the terms and conditions of employment taken against the employee, or relative of the employee, because the employee has made a good-faith report.

- II. Policy:**
- A. **Awareness of Improper Governmental Action.** Any officer or employee of the GTCMHIC who becomes aware of improper governmental action by an officer or employee of the GTCMHIC has a duty to report such conduct in the manner provided in Section III.
 - B. **No Retaliation.** No officer or employee of the GTCMHIC shall take retaliatory action against an employee because the employee makes a good-faith report of any information regarding fraud, waste, abuse, misconduct, or any alleged prohibited or illegal activity in violation of any law, rule, or regulation governing officers and employees of the GTCMHIC of Tompkins. Such retaliatory actions include, but are not limited to, discharge, discipline, personal attacks, harassment, intimidation, or change in job, salary, or responsibilities.
 - C. **Confidentiality.** Reports of concerns will be kept confidential to the extent possible, consistent with the need to conduct a complete and fair investigation.

III. Procedure: *Reporting Concerns.*

1. An Employee should make the good-faith report to his or her Department Head. If the employee is not comfortable addressing the concern to the Department Head, the employee should make his/her report to the County Administrator. The GTCMHIC Administrator will refer reports and inquiries regarding non-compliance or illegal use of state and federal resources to the GTCMHIC Compliance Officer. Reports and inquiries regarding violations of the GTCMHIC's Code of Ethics will be referred to the Ethics Advisory Board. Other reports and inquiries will be handled directly by the County Administrator. If the report concerns the GTCMHIC Administrator, the employee should report directly to the Chair of the Legislature who will be responsible for investigating the report or designating another person to conduct the investigation.

2. When in receipt of a good-faith report, the Department Head must notify the County Administrator, or the person designated by the County Administration to handle reports and inquiries regarding non-compliance and illegal use of GTCMHIC resources, and who shall be responsible for investigating all such reports. The County Administrator may designate the Ethics Advisory Board where appropriate to conduct or participate in any investigation.

Putnam/ Northern Westchester Health Benefits Consortium

Policy for Disclosing Possible Wrongful Conduct

Overview

The Putnam/ Northern Westchester Health Benefits Consortium was established to provide cost effective health benefits for the employees and retirees of component public school districts/ BOCES and their dependents. The aggregate cost of the program affects the future benefits of all members. Ultimately, the true payers of these benefits are the taxpayers of the municipalities in which these employers are located. It is, therefore, incumbent upon everyone involved to ensure that any wrongful acts, such as theft, fraud, waste or abuse are properly reported.

Disclosure Policy

It is the policy of the Consortium that all individuals involved in the administration of the plan, as well as all members who receive benefits provided by the plan abide by the plan documents and all applicable state and federal laws and regulations. Any expected acts of theft, fraud, waste or abuse should be reported to the Consortium's Office of Risk Management or directly to the President of the Health Benefits Consortium for further investigation. Such investigation shall be commenced within 30 days. A written report of findings shall be submitted to the Joint Governance Board within 60 days.

Anti-Discrimination Policy

Any employee who discloses an alleged act of theft, fraud, waste or abuse shall not be discriminated against by his/her employer or by any representative of the Consortium. In fact, all disclosures or complaints shall be kept confidential to the maximum extent possible. Disclosures or complaints submitted anonymously shall receive the same treatment as those submitted with identification. Any acts of discrimination due to an individual's disclosure of theft, fraud, waste or abuse shall be reported to the Consortium's Office of Risk Management or directly to the President of the Health Benefits Consortium. Reports of discrimination shall be investigated within 30 days. A written report of findings shall be submitted to the Joint Governance Board within 60 days.

Distribution

This policy shall initially be distributed to each District Benefits Representative, each member of the Office of Risk Management, each member of the PNW BOCES Business Office, each Chief School Administrator and each School Business Administrator. A copy shall also be posted in a conspicuous location at each employer's Business Office and Personnel Office and within the Consortium's Office of Risk Management.

Review

This policy shall be reviewed by the Plan's Trustees at least once every three (3) years.