

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, Chantalse 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.

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.