

AUDIT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10-I

MINUTES OF March 18, 2010 OPEN AUDIT COMMITTEE MEETING

PRESENTED BY: Frank Quinlan

May 20, 2010

AGENDA ITEM 8: CALL TO ORDER AND ROLL CALL:

The meeting was called to order at 1:45 p.m. and the following members were present: Francis (Frank) E. Quinlan, Chair, Steven Rank, William Zachry and Alternate James Richardson.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Chief Information Officer Shaun Coyne, Senior Vice President of Human Resources and Organizational Development Andreas Acker, Senior Vice President of Internal Affairs Lisa Middleton, General Counsel and Corporate Secretary Carol Newman; and Internal Audit Program Manager & Secretary Pro Tem Marie Wardell.

AGENDA ITEM 9: APPROVAL OF JANUARY 21, 2010 OPEN MEETING MINUTES

MOTION: Mr. Steven Rank.

Second: Mr. Bill Zachry

To approve the minutes of the January 21, 2010 Open meeting of the Audit Committee as presented.

AYES: 3

NOES: 0

Motion carried.

AGENDA ITEM 10: STANDING AUDIT COMMITTEE AGENDA ITEMS FOR 2010

Mr. Quinlan requested comments of the Committee of which there were none. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 11: REPORT ON COMPLETED AUDITS

Lisa Middleton, Sr. Vice President of Internal Affairs, reported on two completed audits. The Rejected Claims Audit included a review of the rejected claims processes in Bay Area Claims Services and LA Tri-County Regional Office. A small number of claims were denied late and the Assistant Claims Manager (ACM) did not consistently approve all denials. Some internal forms used to set a 90 day diary date were not completed. While regulatory reviews have indicated satisfactory performance, Internal Audit has recommended that Assistant Claims Managers monitor denial letter timeliness and Claims/Rehab follows-up with IT's ECF Relaunch to create authority permissions for denial letters.

The Reinsurance Recovery Audit/Claims Rehabilitation Audit included a review of the process to determine if reinsurance bills are being produced, the bills are

timely and accurate and reinsurance payments are received timely, and follow up is conducted on outstanding bills. There were no findings or recommendations.

In that the Program Record Office (PRO) reports to Ms. Middleton and that she recused herself from this audit, Ms. Middleton deferred to Marie Wardell, Program Manager to report. Ms. Wardell reported that Internal Audit reviewed the effectiveness and efficiency of the PRO operation regarding the California Public Records Act. The audit noted 4 minor procedural errors in a limited number of transactions & 1 instance of a security violation when an attorney left his office door open—in a secured site—while stepping out.

AGENDA ITEM 12: COMMITTEE MEMBER PRESENTATIONS.

Mr. Quinlan requested Committee Member presentations of which there were none. Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR MARCH 2010 AGENDA

Mr. Quinlan inquired if the Committee Members had any suggested items for the May 2010 agenda. Mr. William Zachry reported concerns about overspending noted in a report completed by the committee with the Fraud Commission.

MOTION: Mr. William Zachry Second: Mr. Steven Rankin

To approve a motion to be submitted to the Board that the 2010 Audit Plan is amended to include an audit determining savings after identifying paid medical bills not reviewed in the context of evidence based medicine and treatment provided outside of the MPN.

AYES: 3 NOES: 0 Motion carried.

Mr. Steven Rank request that Harrison Jerome be invited to the next closed Audit Committee Closed session to review all new items regarding premium audit and supporting IT initiatives. Mr. Quinlan so noted.

Mr. Quinlan requested public comment of which there was none.

AGENDA ITEM 14: PUBLIC COMMENT

Mr. Quinlan requested public comment of which there was none.

The next Audit Committee meeting is scheduled for May 20, 2010 in San Francisco, California

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 1:54 p.m.

Respectfully submitted,

Marie W. Wardell
Secretary Pro Tem