

OFFICE OF GROUP BENEFITS

DIVISION OF ADMINISTRATION

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued December 29, 2022

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Office of Group Benefits

December 2022

Audit Control # 80220049

Introduction

As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Office of Group Benefits (OGB) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of OGB's internal control over financial reporting and compliance; and determine whether OGB complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the OGB management letter dated January 5, 2022. The prior-year finding related to Inaccurate Annual Fiscal Reports has not been resolved and is addressed again in this letter.

Current-year Finding

Inaccurate Annual Fiscal Reports

For the fifth consecutive year, OGB, through the Office of Finance and Support Services (OFSS), submitted annual fiscal reports (AFRs) to the Office of Statewide Reporting and Accounting Policy (OSRAP) with errors requiring adjustments, including the following:

- The amounts input into the OSRAP AFR portal for the custodial fund did not agree to the trial balance. Employer contributions were overstated by \$36.7 million, deductions for health and life benefits were overstated by \$33.6 million, and payables were understated by \$3.1 million.

- Prior-year pharmacy rebates collected in the current year were not properly allocated to the custodial fund causing cash to be understated in the custodial fund and overstated in the general fund by \$32 million.
- Payables in the general fund did not agree to the accounting system or the agency support and were understated by \$17.2 million.
- The accrual for subsidy receivables was not input into the AFR portal, resulting in a \$30 million understatement of revenues and receivables in the government-wide AFR.

The report used by OFSS to allocate rebates to the custodial fund did not include prior year rebates collected in the current year. In addition, OFSS does not have an effective review and reconciliation process in place to identify and correct errors, including ensuring amounts are correctly input into OSRAP's AFR portal. Good internal control for financial reporting includes procedures to reconcile the completed AFRs to the trial balance and general ledger and a supervisor review of the AFRs to identify and correct preparation errors, including input into the AFR portal, before submission of the reports to OSRAP. Failure to establish adequate controls increases the risk that errors and omissions may occur and remain undetected.

OFSS should ensure that the allocation of rebates includes consideration of prior year rebates collected in the current year and ensure that the compilation procedures include reviewing and reconciling the completed AFRs to the trial balance and the general ledger. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2022, we considered internal control over financial reporting and examined evidence supporting cash, revenue, receivables, self-insured health and drug claim expenditures, life insurance premium expenditures, Vantage Medical Home Health Plan premium expenditures, Access Health administrative fee expenditures, and other postemployment benefits disclosures.

Based on the results of these procedures, we reported a finding related to Inaccurate Annual Fiscal Reports, as described previously. The finding related to Inaccurate Annual Fiscal Reports will also be included in the Single Audit for the year ended June 30, 2022. In addition, the account balances and classes of transactions tested as adjusted, are materially correct.

Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2022, we performed procedures as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on information submitted by OGB to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings. Information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using OGB's Annual Fiscal Reports and/or system-generated reports and obtained explanations from OGB's management for any significant variances.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of OGB. The nature of the recommendations, their implementation costs, and their potential impact on the operations of OGB should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KW:DM:BH:EFS:aa

OGB2022

APPENDIX A: MANAGEMENT'S RESPONSE

Office of Finance and Support Services
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

December 19, 2022

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

The Office of Finance and Support Services (OFSS) and Office of Group Benefits (OGB) appreciate the opportunity to respond to the finding titled, Inaccurate Annual Fiscal Reports, resulting from the fiscal year ending June 30, 2022 OGB financial audit.

The Annual Fiscal Reports (AFRs) for the OGB are uniquely formatted to meet the specific reporting requirements relative to this industry and type of fund. Fiscal Year 2021-2022 was the initial year of OGB's expenditures being captured in the LaGov system while revenues remained in ISIS and the first year that both the "Submitted" and "Agency Other Post-Employment Benefits (OPEB)" AFRs for OGB were remitted through the Office of Statewide Reporting and Accounting Policy's (OSRAP's) AFR portal. The implementation of expenditures and reporting in LaGov resulted in changes to OGB's accounting structure as well as a change in revenue and expenditure processes.

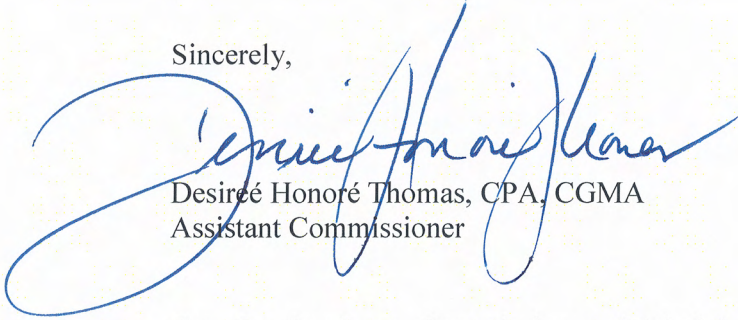
Management concurs with the finding and recommendation. OFSS and OGB will work together to ensure that future fiscal transactions are reported correctly on the financial statements. Automated validation measures will be added to the AFR workbook, used as the source for OGB's reporting, and modifications will be made to our review process to ensure all financial information is captured in both the "Submitted" and "Agency Other Post-Employment Benefits (OPEB)" AFRs.

The adjustments presented to OFSS that are necessary for proper presentation of the OGB financial statements in the fiscal year ending June 30, 2022 Annual Comprehensive Financial Report for the State of Louisiana have been accepted and made by OSRAP.

Thank you for your team's commitment to high standards and professionalism in working with OFSS and OGB during the audit. If you have any questions or need additional information, please contact Judith Jackson, Director of Financial Reporting, via email at judith.jackson@la.gov or by telephone at (225) 342-5280.

Michael J. "Mike" Waguespack, Legislative Auditor
December 19, 2022
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Sincerely,

A handwritten signature in blue ink, appearing to read "Desirée Honoré Thomas". The signature is fluid and cursive, with a large loop at the beginning and end.

Desirée Honoré Thomas, CPA, CGMA
Assistant Commissioner

Cc: Jay Dardenne, Commissioner of Administration
Barbara Goodson, Deputy Commissioner
Randy Davis, CPA, Assistant Commissioner
Erin Sindelar, CPA, Internal Audit Administrator
David Couvillon, OGB Chief Executive Officer
Melissa Mayers, OGB Chief Operating Officer
Bill Guerra, OGB Administrator
Brian Fleming, CPA, Director of OSRAP
Judith Jackson, Director of Financial Reporting

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Group Benefits (OGB) for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the State of Louisiana’s Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- We evaluated OGB’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to OGB.
- Based on the documentation of OGB’s controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the status of the prior-year finding for the preparation of the state’s Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We compared the most current and prior-year financial activity using OGB’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OGB’s management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at OGB and not to provide an opinion on the effectiveness of OGB’s internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review OGB’s Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. OGB’s accounts are an integral part of the state of Louisiana’s Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.