

LEGISLATIVE AUDITOR

STATE EMPLOYEES GROUP BENEFITS PROGRAM

STATE OF LOUISIANA

Management Letter, Dated December 2, 1997

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documentation, and clearly defined responsibilities for establishing and monitoring controls were observed during our review of EGP application controls. These deficiencies could affect the integrity of programs, processing, and data. As a result, a general risk exists that programs and data could be accessed and modified without proper authorization, review, and approval.

The State Employees Group Benefits Program should establish an adequate internal control structure relating to EGP controls to ensure the integrity of programs, processing, and data. In a letter dated November 13, 1997, Mr. James R. Poincane, Executive Director, concurred with the finding and stated that the program will evaluate the various components of the finding and determine the cost-effectiveness of implementing appropriate controls.

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

By provisions of State law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

LJDCJhd

LEGISLATIVE ASSISTANT

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Furthermore, employees should only be permitted access to the data necessary to perform their duties. During our review, we noted the following:

- Access to AGPS was not removed timely for one employee who had terminated employment with the program.
- Access to GPS was not removed timely for two employees who had terminated employment with the program and for three employees who had transferred to different sections of the program.
- One employee had access to data that was greater than his business need.

Failure to delete user IDs and the lack of monitoring access to the EDP systems could result in the unauthorized use of the systems and errors or irregularities in processing transactions.

The State Employees Group Benefits Program should develop written procedures to ensure the timely deletion of AGPS and GPS user IDs after an employee is terminated or transferred. In addition, the written procedures should provide for supervisory review of access granted to employees. In a letter dated September 8, 1987, Mr. James H. Plaisance, Executive Director, concurred with the finding and outlined a corrective action plan.

Electronic Data Processing Controls Weakness

The State Employees Group Benefits Program did not establish an adequate internal control structure relating to electronic data processing (EDP) controls, which could affect the integrity of programs, processing, and data. EDP general controls are part of the control environment as well as control procedures over (1) application program development and maintenance, (2) logical access to program and data, (3) computer operations, and (4) segregation of incompatible duties. Good EDP general controls are necessary to preserve the integrity of the system and to provide reliance on the results produced by the system. EDP application controls are also part of the control environment as well as control procedures over input, processing, and output of data. Good EDP application controls are necessary to ensure that the processing of transactions and financial information is performed according to management's design and intent.

Annually, the program's Information Services Division processes information relating to approximately \$224 million of claims expenditures, as well as various other transactions. Control deficiencies relating to system development, system changes, computer operations, and segregation of duties were observed during our review of EDP general controls. Control deficiencies relating to input, processing, output controls,



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December 2, 1997

STATE EMPLOYEES GROUP BENEFITS PROGRAM
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1997, we conducted certain procedures of the State Employees Group Benefits Program. Our procedures included (1) a review of the program's internal control structure; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The June 30, 1997, Annual Fiscal Report of the State Employees Group Benefits Program was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The program's accounts are an integral part of the State of Louisiana's financial statements upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected program personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior audit of the State Employees Group Benefits Program for the year ended June 30, 1996, we reported findings relating to claim payments, electronic claims processing controls, controls over financial reporting, controls over premium revenues, controls over purchasing, and controls over renovation expenditures. All prior year findings were resolved.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Inadequate Controls Over ERP Access

The State Employees Group Benefits Program did not have written procedures to delete user IDs (access codes) for terminated or transferred employees in a timely manner in the Automated Governmental Purchasing System (AGPS), the state's purchasing system, and in the Governmental Financial System (GFS), the state's financial system. In addition, the program does not have adequate supervisory review to ensure that employees do not have access greater than their business need. Adequate internal controls require the timely deletion of AGPS and GFS user IDs when employees terminate employment with the program or transfer to a different section of the program.

STATE EMPLOYEES GROUP BENEFITS PROGRAM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Management Letter
Dated December 2, 1997

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the State Budget office of the Legislative Auditor.

December 8, 1997

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STATE OF LOUISIANA LEGISLATIVE AUDITOR

State Employees Group Benefits Program
State of Louisiana
Baton Rouge, Louisiana

December 9, 1997



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor