

Assurance Report

1601 Continuous Auditing

June 30, 2016

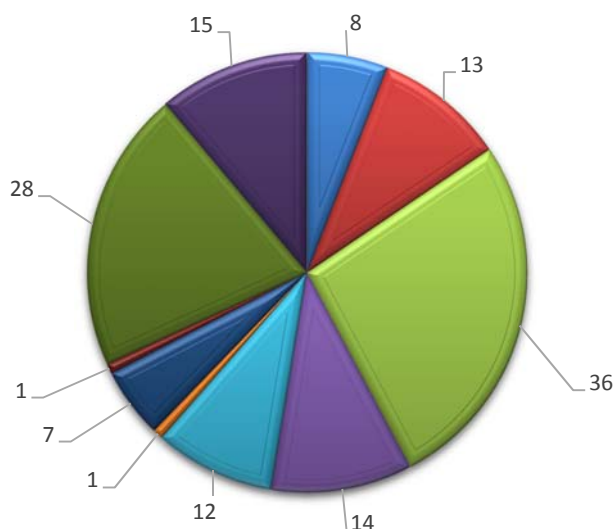
Cindy Rougeou, Executive Director
The LASERS Audit Committee

BACKGROUND

The continuous auditing project approach primarily consists of using automated testing techniques to review and analyze various processes at LASERS on a continual basis throughout the fiscal year. A couple of benefits to this approach are that it allows for confirmation that controls in place continue to function as intended and for a more timely identification of possible issues. The automated testing is performed at different intervals (i.e., daily, monthly, quarterly, annually) depending on the type of test, the area being tested, and the potential impact of the risk to LASERS. Issues identified are reviewed for validity and then provided to LASERS staff for verification and correction, when necessary. The following graphic is a breakdown of the 135 tests performed by the area tested and the number of tests for each area.

- Death
- Refunds
- Benefits
- Membership
- Disability
- Purchases and Transfers
- Accounting Processes (SOLARIS)
- Accurint Search Activity
- IRS Form 1099-R
- Required Minimum Distributions (RMD)

Number of Tests per Area



BOARD OF TRUSTEES:

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Kathy Singleton
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Lorry Simmons Trotter

Cindy Rougeou, Executive Director

In addition, new testing scripts were developed this fiscal year in the areas of benefits and membership.

ENGAGEMENT SUMMARY

1. IRS FORM 1099-R TESTING FOR CALENDAR YEAR 2015

SUMMARY

This project included a review of the 1099-R forms issued by LASERS for the 2015 tax year. Forms issued by Empower Retirement were not tested. The process to generate the 1099-R data and forms is adequate. The 1099-R forms were mailed to benefit recipients prior to the January 31st deadline. However, approximately 73 records required data correction and those corrections were made. Further details regarding the corrections are as follows:

- Deleted 11 1099-R forms which should have not been created in the first place.
- Corrected 62 data errors on the 1099-R form, such as, tax amount and distribution code related errors which would have tax consequences for the recipient, if not corrected.

2. RMD TESTING FOR CALENDAR YEAR 2015

SUMMARY

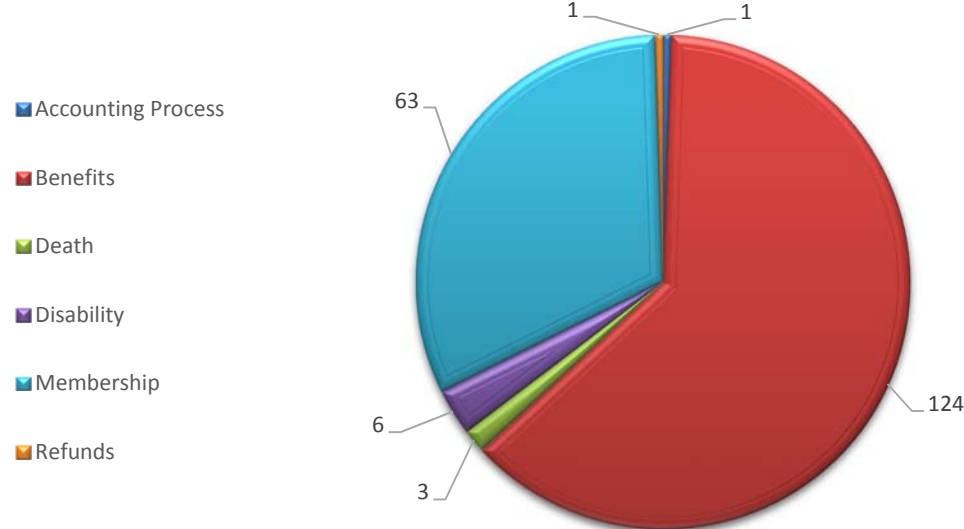
This project included a review of the RMDs processed by LASERS for 2015. The process to generate RMDs is adequate. The Required Minimum Distributions were completed prior to the December 31st deadline. However, two records required data corrections that were made. These data corrections included re-opening accounts that were incorrectly closed.

3. AUTOMATED QUERIES FOR VARIOUS PROCESS FOR FYE 2016

SUMMARY

The automated queries identified approximately \$2,107 of overpayments due to death where collection had not been pursued and approximately 198 records that resulted in data corrections. The following graphic is a breakdown of corrections by the area tested and the number of corrections for each area.

Number of Data Corrections



For a description of the tests that required corrections within each area, please see (Appendix A).

Ryan Babin

Ryan Babin, CIA, CISA
Audit Services Director

Appendix A

Accounting Process

Test Name	Description	Number of Data Correction
Invoices written off without being sent to collection agency.	This test will identify instances where an invoice was written off prior to attempting collection through the collection agency which should occur prior to all write offs.	1

Subtotal: 1

Benefits Process

Test Name	Description	Number of Data Correction
Overpayments	This test determines any benefit overpayments due to death and verifies that any overpayments have a corresponding Accounts Receivable setup.	2
Student Survivor Eligibility Test	This test determines that there are no student survivors over the age of 23 that are actively receiving a benefit.	1
Beneficiary Payments to Non-Beneficiary Retirement Options	This test determines if any monthly payments were made to beneficiaries of members that selected either Option 1 or Maximum retirement.	1
In service distribution from LASERS DROP account.	This test will identify instances where an individual had an in service distribution from a DROP account at LASERS (does not include DROP accounts with Great West). This should not occur.	8
DROP or IBO retiree with an incorrect benefit account type code.	This test identifies individuals that either selected an IBO or DROP retirement, but their benefit account type code doesn't reflect that retirement type.	10

Test Name	Description	Number of Data Correction
Beneficiary of retiree with a null SSN or SSN with all zeroes and retirement option not Maximum or Option 1.	This test identifies beneficiaries of a retiree whose SSN is missing or SSN is all zeroes and their retirement option is not Maximum or Option 1.	49
Benefit component in pending status greater than a year old.	This test will identify benefit components that have been in a pending status for greater than a year. This would indicate a benefit recalculation should be reviewed before approving or rejecting.	20
Survivor Benefit Account with Retirement Option	This test will identify instances where a survivor benefit account also has a value in the retirement option field. This should not be the case because a survivor retirement doesn't include options.	3
Active Payees with Reactivation Date Missing	This test will identify instances where a cease payment date was placed on an active payee's record, but upon reactivation the reactivation date was not populated.	29
Closed Benefit Account with Non-Closed Payees	This testing script will identify instances where a payee is non-closed, but their associated benefit account is closed. This should not occur.	1

Subtotal 124

Death Process

Test Name	Description	Number of Data Correction
Death date verified indicator checked and no death date in the person table.	This will identify individuals that have the verified date of death indicator checked in the Death Request table, but the death date in the Person table is null. This is an indication of the data inconsistency.	3

Subtotal 3

Disability Process

Test Name	Description	Number of Data Correction
Disability Retirees with No Case	This test will identify instances where an individual has a disability benefit account but does not have a case. A benefit account should not be established until after a disability case has been reviewed and approved.	2
Retired for greater than one year but no Annual Attending Physician Statement	This test will identify instances in which a disability retiree has been retired for at least a year but has not undergone an annual physician review.	2
Disability Retiree not approved by the Board	This test will identify instances in a disability retiree was not approved by the Board.	2

Subtotal 6

Membership Process

Test Name	Description	Number of Data Correction
Membership with No Enrollment	This test will identify instances in which a membership record does not contain an enrollment record.	22
Unsheltered Contribution Testing	This test will identify instances in which unsheltered contributions was reported by an agency to LASERS incorrectly.	2
Active employee with an inactive agency	This test will identify instances in which an active member has an active record associated with an agency that is inactive.	4
Member exceptions on individuals in a retirement, refund, or transfer out status.	This test will identify instances where an individual is in either a refund, retirement, or transfer out status and there is an active exception on their account contribution history. All exceptions should be cleared before final processing for individuals in the aforementioned categories.	10

Test Name	Description	Number of Data Correction
Membership service credit greater than 1 year in a calendar year period	This test will identify instances where an individual received membership service credit in a given year that totaled more than a year which is not allowable per statute. Note: This doesn't include purchases, transfers, reciprocals, etc.	6
Active in LASERS ORP and contributions submitted for the LASERS defined benefit plan	This test will identify instances where an individual is active in the LASERS ORP plan and LASERS received defined benefit plan contributions. This is not allowable.	1
Active enrollment associated with non-active membership	This test will identify instances where an individual has an active enrollment that is associated with a non-active membership. This would indicate a possible area since an active enrollment correlates with an active type membership status.	16
Active type membership not associated with an active type enrollment	This test will identify instances where an individual has an active type membership that is not associated with an active type enrollment. This would indicate a possible area since an active type enrollment correlates with an active type membership status.	2

Subtotal 63

Refunds Process

Test Name	Description	Number of Data Correction
Residual contribution in refunded membership	Refunded member contains residual contribution which should be reviewed and resolved.	1

Subtotal 1