

Assurance Report

1804 Disability Process Review

June 22, 2018

Cindy Rougeou, LASERS Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

During this review, there was one observation noted which relates to instances where the disability process and procedures can be improved.

BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2018 Audit Plan. The fieldwork for this engagement was completed on June 19, 2018.

In general, members with ten or more years of eligible service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement benefit formula without reduction by reason of age. Medical records and results of medical exams must show that a member is unable to perform their normal job duties in order to be eligible for disability retirement. LASERS Board of Trustees approves or denies all disability retirement applications.

Additionally, LASERS requires an Annual Attending Physician Statement (AAPS) from a disability retiree annually during their first five years of retirement and every three years thereafter until the retiree meets eligibility for regular retirement.

BOARD OF TRUSTEES:

Beverly Hodges, Board Chair
Virginia Burton, Vice Chair
Thomas Bickham
Commissioner Jay Dardenne

Judge William Kleinpeter
Janice Lansing
Barbara McManus
Sen. Barrow Peacock

Rep. Kevin Pearson
Lori Pierce
Hon. John Schroder
Shannon Templet
Lorry Simmons Trotter

Cindy Rougeou, Executive Director

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement is to review LASERS non-calculation disability retirement data and processes.

The primary objectives of this engagement were to:

- Determine if adequate controls exist with regard to the disability process.
- Review compliance with LASERS disability retirement regulations and procedures.
- Verify SOLARIS data used to process disability retirements agrees with documentation in OPTIMUS.

Procedures used to complete this engagement included:

- Reviewing and examining procedures, laws, and controls.
- Interviewing LASERS staff.
- Analyzing data in SOLARIS, OPTIMUS, and JD Edwards.
- Conducting other inquiries considered necessary to achieve engagement objectives.

This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and the policies and procedures of the Audit Services Division.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. DISABILITY PROCESS AND PROCEDURES SHOULD BE EVALUATED

OBSERVATIONS

The following items were noted during this review and relate to instances where the disability process and procedures are not aligned. These observations and recommendations are outlined to help improve the process and documentation within the related disability processes.

	OBSERVATIONS	RECOMMENDATIONS
A	<p>Disability retirees may return to active state service but they must select one of the following reemployment options:</p> <ul style="list-style-type: none">• Return to active service and terminate their disability retirement benefit and become a contributing member of LASERS.• Return to work for a six month trial period and suspend their disability benefit during that time. <p>During this review, it was observed that one member returned to work and chose to terminate their disability retirement; however, their monthly benefit payments did not cease on the date of reemployment which resulted in an overpayment of \$3,411.08. An invoice was sent to the member requesting the funds to be repaid and the member has agreed to a payment plan.</p>	<p>See recommendation #1 below.</p>

B	<p>To apply for disability retirement, a member must submit a complete disability application which consists of the following:</p> <ul style="list-style-type: none"> • Form 4-01: <i>Disability Retirement Application</i> (completed by the member) • Form 4-01A: <i>Disability Report</i> (completed by the member's agency) • Form 4-01B: <i>Attending Physician Statement for Disability Retirement (APS)</i> (In April 2017, a process change was issued stating this form can be completed by the physician or the physician's designee and accepted if the physician does not recommend disability retirement.) <p>According to the disability processing procedures, to be eligible for disability retirement, the member must be active at the time they submit their application and must select an option and sign Form 4-01. During this review, the following was observed that one member did not sign Form 04-01. After a case review and independent medical exam, this member's disability retirement was denied.</p>	See recommendation #1 below.
C	<p>The following items are related to the physician portion of the disability procedures:</p> <ol style="list-style-type: none"> 1. After being approved for disability retirement, LASERS requires the retiree to complete an Annual Attending Physician Statement (AAPS) annually during their first five years of retirement and every three years thereafter until the retiree meets eligibility for regular retirement. This statement must be signed and completed by an AAPS Board approved physician. The procedures relating to the recertification of continuing disability states that all physicians performing the AAPS recertification should be entered into SOLARIS. Also, the analyst should verify that the physician who completed the AAPS form is a MD and that their license is active/valid by confirming this through the LA State Board of Medical Examiners website. This verification should be uploaded to the retiree's OPTIMUS folder. After the physician has been verified and approved, the appointment information should be updated in SOLARIS Disability Tracking. During this review, the following was observed: <ul style="list-style-type: none"> ▪ The physician's information was not entered into SOLARIS if the physician did not recertify the retiree as continuing to be disabled. ▪ There were instances where a verification of the physician's medical license were not found in OPTIMUS. ▪ The physician's information was not entered for the AAPS appointments in SOLARIS. There is a limitation in SOLARIS that does not allow the physician to be selected for AAPS appointments, which is being addressed by TFS request 39817. 2. According to the procedures for the disability appeal process, if a disability applicant is denied by the State Medical Disability Board, the applicant and/or the LASERS Board of Trustees has the right to 	<p>See recommendation #1 below.</p> <p>See recommendation #1 below.</p>

	<p>contest or appeal the denial decision. The appeal process determines a final and binding decision that will not be subject to further appeals other than through the courts. When a member appeals the final decision of the LASERS Board of Trustees, the member must see a second Board physician for a medical examination. This physician must be on the State Medical Disability Board or be a LASERS approved physician. The member should not have any prior relationship with the physician. During this review, it was observed that a disability retiree appealed the decision of LASERS Board of Trustees. The member noted on Form 4-01B that they had previously seen the physician who performed the disability appeal independent medical examination, meaning that the member had a prior relationship with this physician.</p> <p>3. Member Services is in the process of developing procedures for physician approval and maintenance. Currently, the draft version of these procedures instruct the analyst to enter the physician's information in the required fields in SOLARIS and to upload the physician approval and information sheet into OPTIMUS. During this review, it was observed that multiple physicians did not have the correct fee information in SOLARIS. In order to ensure that a physician is paid the correct amount for case reviews or independent medical examinations, SOLARIS should include the physician's correct fee information. Additionally, there was one instance where the approval documentation could not be found in OPTIMUS for a Board Alternate physician, but the physician was determined to be LASERS Approved in SOLARIS.</p> <p>4. During this review, it was observed that Member Services does not have procedures on how to process payments to physicians for eligible services performed throughout the disability process.</p>	<p>See recommendation #1 and 2 below.</p> <p>See recommendation #1 below.</p>
D	<p>When a disability retiree meets regular retirement eligibility, the retiree has the option to convert from disability retirement to regular retirement. Currently, Member Services runs a report which lists the retirees that are eligible to convert within six months. During this review, it was observed that the procedures related to this process do not outline the steps in place for notifying retirees of their eligibility to convert.</p>	<p>See recommendation #1 below.</p>

RECOMMENDATION #1

Member Services should evaluate the current processes and procedures for the areas described in the observations and take the steps to ensure the necessary updates are made.

DIVISION RESPONSE

Member Services agrees with this recommendation. The corrective action plan for this item is noted below.

Corrective Action Plan (Short-Term) (CLOSED)

The following actions have been taken to address the issues related to disability retirees that return to state service (item A above):

- Member Services updated the Disability Retiree Return to State Service procedures which have been reviewed by Audit Services.
- Member Services implemented a verification process for the Disability Return to Work process. The supervisor will now have a Death and Disability analyst verify the process.
- The retiree in the observation above has been invoiced and has agreed to a payment plan.

The following actions have been taken to address the issues related to the unsigned disability application (item B above):

- Member Services updated the Disability Processing procedures which have been reviewed by Audit Services.
- Member Services implemented a verification process for an analyst to verify that procedures were followed for a denied Disability Application.

The following actions have been taken to address the issues related to the physician portion of the procedures:

- Member Services updated the Disability Certification of Continued Disability (AAPS) and Re-evaluation procedures to include verification of physician's license if the physician did not recertify the disability and that the physician information should be entered into SOLARIS (item C1 above). These procedures have been reviewed by Audit Services.
- Member Services updated the Disability Retirement Processing and the Disability Appeals checklist and procedures to ensure analysts verify no prior relationships with physicians (item C2 above). Both sets of procedures have been reviewed by Audit Services.
- Member Services created the Physician Approval and Maintenance procedures which have been reviewed by Audit Services. These procedures include an additional signature sheet showing Board approval to be imaged into the physician's Optimus folder (item C3 above).
- Member Services created the Disability Medical Bills procedures which have been reviewed by Audit Services (item C4 above).

To address issues with the member's conversion from disability retirement to regular retirement, Member Services updated the Disability to Regular Process procedures to include step-by-step procedures of the notification of the retiree's eligibility (item D above). These procedures have been reviewed by Audit Services.

Corrective Action Plan (Long-Term) (OPEN)

Along with the items noted above, Member Services has also entered a request to create routing options in OPTIMUS to address the issues related to disability retirees that return to state service (item A above). This item is being tracked using TFS request 43857.

Member Services has entered two TFS requests to address the limitation in SOLARIS that does not allow the physician to be selected for AAPS appointments (item C1 above). These items are pending promotion in SOLARIS and are being tracked as TFS requests 39817 and 43785.

The priority for this long-term plan has been set as medium and the target completion date will be established no later than June 30, 2019.

RECOMMENDATION #2

Member Services should review the information stored in SOLARIS for Board Alternate physicians to ensure it is correct and properly supported by documentation in OPTIMUS.

DIVISION RESPONSE

Member Services agrees with this recommendation. Member Services has implemented a plan to review all Board Primary and Board Alternate physicians listed in SOLARIS that have been paid within the past five years and have an "Active" status once a year (item C3 above). Physicians outside of these parameters will be changed to "Inactive" status. These steps have been added to the Physician Approval and Maintenance procedures which have been reviewed by Audit Services. TFS request 43822 has been entered to change all physicians outside the parameters above to an inactive status in SOLARIS.

The priority for this recommendation has been set as medium and the target completion date will be established no later than December 31, 2018.

FOLLOW-UP

A follow-up to this engagement will not be scheduled at this time. Audit Services will maintain this information on a tracking report. These items will be tracked until they are closed.



Reece Babin
Auditor



Ryan Babin, CIA, CISA
Audit Services Director

Cc: Maris LeBlanc
Trey Boudreaux
Tricia Gibbons
Jonathan Drago
Carla Welchez
Allison LeBlanc