

## Assurance Report

### 1923 Benefit Calculation Review

April 2, 2019

Cindy Rougeou, LASERS Executive Director  
The LASERS Audit Committee

### EXECUTIVE SUMMARY

During this review, the following observations were noted and are detailed below:

1. One instance of a benefit calculation error identified.
2. One error identified during a quality assurance (QA) review not corrected.

### BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2019 Audit Plan. The fieldwork for this engagement was completed on March 13, 2019.

LASERS Member Services Division calculates retirement benefits in accordance with Title 11 of the Louisiana Revised Statutes. Preliminary retirement benefit calculations are performed when a retirement application is received by using membership data that is posted to member records. Final retirement benefit calculations are performed once all agency contributions for the member have been received and posted to the member's records.

The formula used to determine the maximum monthly base retirement benefit is: service credit times final average compensation times retirement plan accrual rate. If any component of this formula is incorrect, the monthly benefit amount will be in error. Member Services conducts an in-depth review of the member's record when performing the preliminary calculation, final calculation, and the final approval phases of the retirement calculation process. Additionally, the same individual does not

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perform a successive step in the retirement calculation process. For example, the individual that performs the preliminary calculation is not able to perform the final calculation.

## **SCOPE, OBJECTIVES, AND METHODOLOGY**

The scope of this engagement included a review of all benefit calculations for the time period of January 1, 2018 to December 31, 2018. A sample of calculations was reviewed manually, along with results from automated testing methods. In addition, a sample of calculations from the quality assurance review was verified.

The primary objectives of this engagement were to determine if:

- Retirement benefit calculations and reviews are being performed in accordance with applicable regulations and procedures.
- SOLARIS data used to process retirement benefit calculations agrees with documentation in OPTIMUS.

Procedures used to complete this engagement included:

- Interviewing LASERS staff.
- Researching and examining controls, policies, and laws.
- Analyzing SOLARIS and OPTIMUS data.
- Recalculating a sample of retirement benefits.
- Examination of supervisory review documentation.
- 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. ONE INSTANCE OF A BENEFIT CALCULATION ERROR IDENTIFIED**

#### **OBSERVATION**

A sample of benefit calculations finalized in 2018 were randomly selected for independent recalculation by Audit Services. Exception results from analytic queries were also reviewed and independent recalculations were performed, where necessary. Lastly, calculations that required a recalculation as identified during the post-final calculation check performed by the Member Services quality assurance specialist were reviewed by Audit Services.

Of the 114 calculations tested by Audit Services, there was one benefit calculation error identified. The initial retroactive benefit payment made to one retiree was in error. The termination date was used to calculate the initial retro payment instead of the retirement date. This resulted in a one-time benefit overpayment of \$68.11. Member Services has taken the necessary action to correct the record. The retroactive payment was corrected and the total overpayment has been collected.

### **RECOMMENDATION (CLOSED)**

Member Services should evaluate the benefit calculation process based on the issue noted in the observation and determine which areas should be strengthened to minimize calculation errors.

### **DIVISION RESPONSE**

Member Services agrees with this recommendation. The Processing Supervisor provided additional training and explanation to the analysts who processed this file. Member Services will continue to enhance their desk procedures and other job aids used by staff. Since Member Services already has a verification process in place and this not a common error, no formal process changes are recommended at this time. The corrective action has already been taken for this observation.

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## **2. ONE ERROR IDENTIFIED DURING A QUALITY ASSURANCE (QA) REVIEW NOT CORRECTED**

### **OBSERVATION**

Member Services has developed a QA review process for retirement calculations which include a random 10 percent review of benefit calculations finalized each month, a random 10 percent review of all work completed by Member Services analysts, and a 100 percent review of all specialty plan calculations and calculations that were completed using a workaround.

According to Member Services, if an error is found by the QA specialist during their review, then they provide details of the error to Member Services management for correction. The error should be corrected within 10 days, if possible. Furthermore, the QA specialist is responsible for verifying that all corrections are completed. During the project, it was observed that one error identified by the QA specialist in July 2018 was not corrected as of February 2019. The net result of this error identified \$728.89 in underpayments to be disbursed to the member. Member Services has corrected the error noted above.

### **RECOMMENDATION (CLOSED)**

Member Services should evaluate the quality assurance review process and make the appropriate changes to ensure that errors identified by the QA specialist are corrected in a timely and accurate manner.

### **DIVISION RESPONSE**

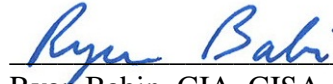
Member Services agrees with this recommendation. Effective April 2019, Member Services created a document that is imported into a member's file after a QA check is performed. If an error is found, a workflow is initiated in Optimus and routed to the Member Services Supervisor workbasket. The appropriate supervisor is responsible for ensuring the issue is corrected. If the supervisor is out of the office or overlooks the item, the manager can easily see that there is an outstanding issue that requires attention. Once the error is resolved, the work item is closed. The corrective action has already been taken for this observation.

## **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.



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