

Assurance Report

1914 Rehired Retiree Process Review

November 18, 2019

Cindy Rougeou, LASERS Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

Overall, a majority of the rehired retiree processes and related transactions reviewed were supported by adequate documentation and in compliance with LASERS regulations and procedures. The following observations were noted and detailed below:

1. Rehire and termination transactions being stored as separate entries in SOLARIS impacts various rehired retiree related processes.
2. Option 1A rehired retiree annual earnings request letter process should be automated.
3. Calculation of the fiscal year annual benefit amount in the SOLARIS excess earnings module should be revised.
4. Payee status should be updated when an Option 3 rehire and termination entry is created in SOLARIS.
5. Option 1A rehired retiree allowable earnings request classified in OPTIMUS as a Re-employment of Retiree Form.
6. Rehired retiree process and procedures should be updated.

BACKGROUND

This was a planned engagement on the fiscal year end 2019 Audit Plan. The fieldwork for this engagement was completed on November 4, 2019.

If a retired member returns to state service in a LASERS eligible position, they must select from one of four options when they are rehired. The selection is irrevocable and is effective for the full term of their re-employment. The general details associated with each option is as follows:

BOARD OF TRUSTEES:

Shannon Templet, Board Chair
Thomas Bickham, Vice Chair
Virginia Burton
Commissioner Jay Dardenne

Beverly Hodges
Judge William Kleinpeter
Janice Lansing
Barbara McManus

Sen. Barrow Peacock
Rep. Kevin Pearson
Lori Pierce
Hon. John Schroder
Lorry Simmons Trotter

Cindy Rougeou, Executive Director

- Option 1A: The individual's earnings in any fiscal year are limited to 50 percent of their annual retirement benefit.
- Option 1B: The individual who retired with 30 years and is at least 70 years of age may select this option and they will receive their full retirement benefit and their salary without any limitation.
- Option 2: The individual may regain membership by repaying all benefits received since they retired plus interest at an actuarial rate.
- Option 3: The individual's retirement benefit will be suspended and also become a contributing member of LASERS.

There are approximately 750 LASERS rehired retirees.

SCOPE, OBJECTIVES, AND METHODOLOGY

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

The primary objectives of this engagement were to:

- Determine if adequate controls exist with regard to the rehired retiree process.
- Review compliance with LASERS rehired retiree regulations and procedures.
- Verify SOLARIS data used as part of rehired retiree processing agrees with documentation in OPTIMUS.

Procedures used to complete this engagement included:

- Interviewing LASERS staff.
- Reviewing records from the State of Louisiana Retirement Information System (SOLARIS).
- Review data obtained from LaGov Human Capital Management (HCM).
- Analyzing LASERS member records using Audit Command Language (ACL).
- 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. REHIRE AND TERMINATION TRANSACTIONS BEING STORED AS SEPARATE ENTRIES IN SOLARIS IMPACTS VARIOUS REHIRED RETIREE RELATED PROCESSES

OBSERVATION

Fiscal uses the SOLARIS Cancel Retirement History module to track rehire and termination information for LASERS rehired retirees. SOLARIS was originally designed to require that a separate entry be created when entering a termination date instead of updating the rehire entry to simply include the termination date. It should be noted that TFS request 27425 was created in 2013 to allow for the termination date to be associated with the rehire entry in SOLARIS and currently remains open. The

current process in SOLARIS can create data integrity issues which impacts various other rehired retiree processes, queries, and reports that utilize this information. Furthermore, this data structure also causes the annual rehired retiree processes (i.e., annual allowable earnings letter and annual earnings request letter) to be unnecessarily complex which can lead to errors.

The following examples further illustrate the impact of the current data structure in the SOLARIS Cancel Retirement History module on related processes:

- The Option 1A rehired retiree annual allowable earnings letter process includes a step to identify all of the individuals that should receive this letter for the current fiscal year. The logic for this step does not utilize the data in the SOLARIS Cancel Retirement History, but instead uses the status reason code from the retiree's benefit account. When a rehire entry is created in the SOLARIS Cancel Retirement History module, the status reason is changed to the code Rehired Retiree (Option 1A). During this review, there were 14 instances identified where the data in the SOLARIS Cancel Retirement History was updated, but the status reason code was not which caused these individuals to either be incorrectly included or excluded from the FYE 2018 annual allowable earnings letter process.
- The Option 1A rehired retiree annual earnings request letter process includes a step to identify all of the individuals that should receive this letter for the most recent fiscal year. The logic for this step utilizes the data in the SOLARIS Cancel Retirement History, but due to the separate rehire and termination entries, the results are not accurate. During this review, there were 15 instances identified where the individuals were either incorrectly included or excluded from the FYE 2018 annual earnings request letter process. It should be noted that, prior to this review, Fiscal determined that there were at least 100 individuals where the earnings had not been requested for the last three years and should have been. They have taken the steps to obtain the earnings information from the employer agencies for these individuals.

In each of these instances, the SOLARIS change that would require the termination date to be associated with the rehire entry would allow for the annual processes to be simplified and more reliable.

RECOMMENDATION

Fiscal should work with IT and take the necessary steps in SOLARIS to require the rehire termination entries to be directly associated with the rehire hire entries by executing TFS request 27425. Upon completion of this TFS request, all related SOLARIS rehired retiree processes should be evaluated and updated based on this new data structure.

In the interim, Fiscal should take the necessary steps to ensure that the related SOLARIS rehired retiree processes impacted by this issue are functioning properly.

DIVISION RESPONSE

Fiscal agrees with this recommendation. We entered the TFS item in 2015 to make the improvements being recommended by Audit at this time. The process will continue as is until the IT Governance Committee prioritizes it to be worked. This has been assigned a low priority because this is a small process where the population of approximately 750 has not justified a higher priority. The completion date will be determined by the IT Governance Committee based on the agencies priorities. TFS 27425 and 36303 (from observation 2) should be worked together.

AUDITOR COMMENT

The rehired retiree related TFS items are on the list of projects for future consideration and prioritization by the IT Governance Committee. The current IT Governance Committee project plan has resources already assigned out for at least the next 12 months. Therefore, Audit Services will obtain a status update of this item by December 31, 2020.

2. OPTION 1A REHIRED RETIREE ANNUAL EARNINGS REQUEST LETTER PROCESS SHOULD BE AUTOMATED

OBSERVATIONS

Fiscal performs the annual process to submit a letter requesting the most recent fiscal year actual earnings for Option 1A rehired retirees from the appropriate employer agency. As part of the annual earnings request letter process, two different document types are stored in OPTIMUS, which is the imaging software that LASERS utilizes for file and document management. The separate document types is necessary to ensure the letter and returned request are classified separately in OPTIMUS and also facilitates the notification of Fiscal staff when the request has been received back from the employer agency.

Currently, this process is performed manually outside of SOLARIS via a Microsoft Word mail merge. The first step in the process is to generate an electronic only version of the letter for all affected individuals and import into OPTIMUS under the document type RROPT1LT. The next step is to manually change the document type to RROPT1RP, then print and mail this correspondence to the employer agency. The use of the document type RROPT1RP ensures that when the document is received back from the agency that it will be classified separately from the letter prior to the response (RROPT1LT). It should be noted that TFS request 36303 was created in 2016 to automate this process in SOLARIS and currently remains open.

During this review, it was determined that, for the FYE 2018 annual process, both the letter sent to the employer agency and received back were incorrectly classified as the same document type in OPTIMUS (RROPT1LT). However, for the FYE 2019 annual process, this did not occur and instead the two separate document types were created, as expected.

Automation of this process in SOLARIS will reduce the risk of manual breakdowns (i.e., typographical errors) and ensure the proper document classification in OPTIMUS.

RECOMMENDATION

Fiscal should work with IT to develop a solution that automates the annual earnings request letter generation process by executing TFS request 36303. In the interim, Fiscal should take the necessary steps to ensure that the current workarounds are being properly performed.

DIVISION RESPONSE

Fiscal agrees with this recommendation. We entered the TFS item in 2016 to make the improvements being recommended by Audit at this time. The process will continue as is until the IT Governance Committee prioritizes it to be worked. This has been assigned a low priority because this is a small process where the population of approximately 750 has not justified a higher priority. The completion date will be determined by the IT Governance Committee based on the agencies priorities. TFS 27425 (from observation 1) and 36303 should be worked together.

AUDITOR COMMENT

The rehired retiree related TFS items are on the list of projects for future consideration and prioritization by the IT Governance Committee. The current IT Governance Committee project plan has resources already assigned out for at least the next 12 months. Therefore, Audit Services will obtain a status update of this item by December 31, 2020.

3. CALCULATION OF THE FISCAL YEAR ANNUAL BENEFIT AMOUNT IN THE SOLARIS EXCESS EARNINGS MODULE SHOULD BE REVISED

OBSERVATION

When the fiscal year earnings request letter for an Option 1A rehired retiree is received back from the employer agency with the actual earnings amount, Fiscal is notified for processing. The reported actual earnings are entered into the SOLARIS Excess Earnings module and a calculation is performed to determine if the rehire retiree exceeded their allowable earnings. If the allowable earnings are exceeded, then an invoice would be created for the excess earnings. The formula currently used in SOLARIS to calculate the fiscal year allowable earnings amount is as follows:

Fiscal Year Monthly Benefit (as of the day the reported earnings is entered into the SOLARIS Excess Earnings Module) x 12 = Fiscal Year Annual Benefit

Fiscal Year Annual Benefit x CPI (Consumer Price Index) Adjusted Factor = Fiscal Year Allowable Earnings Amount

During this review, there were instances identified where the monthly benefit as of the end of the fiscal year end being evaluated was different than the amount as of the day the reported earnings were entered into SOLARIS. Since the earnings are evaluated on a fiscal year basis, the logic in the SOLARIS Excess Earning module should be modified to calculate the allowable earnings as of the fiscal year end. This will ensure the accuracy of the excess earnings calculation and associated invoices.

RECOMMENDATION

Fiscal should work with IT to correct the logic for the SOLARIS Excess Earnings module to address the issue noted in the observation. In the interim, Fiscal should develop a solution to ensure that the correct fiscal year monthly benefit is utilized in the excess earnings calculation.

DIVISION RESPONSE

Fiscal agrees with this recommendation. TFS item 51405 has been entered to address the flaw in the logic in the SOLARIS Excess Earnings module. This has been assigned a medium priority with a target completion date of June 30, 2020.

4. PAYEE STATUS SHOULD BE UPDATED WHEN AN OPTION 3 REHIRE AND TERMINATION ENTRY IS CREATED IN SOLARIS

OBSERVATION

Potential rehired retirees may choose an option that would suspend their annual retirement benefit and enroll them as contributing members of LASERS while employed. If they work for at least 36 months,

then they can earn a supplemental retirement benefit. Otherwise, the paid employee contributions can be refunded after termination.

SOLARIS is designed to automatically change the retiree's benefit account to a suspended status once the Option 3 rehire entry is saved in the SOLARIS Cancel Retirement module. Also, the benefit account status is automatically changed to an active status once a termination entry is saved in the SOLARIS Cancel Retirement module. In general, these automated controls prevent the monthly benefit payment from being issued while the individual is employed and restarts the benefit after termination.

When an individual retires, a benefit account is created in SOLARIS along with the associated payee(s). The payee record contains all of the applicable monthly benefit payment information. This data hierarchy is necessary since there can be more than one payee associated with a benefit account. When the benefit account is suspended, no payment can be issued from any payee associated with that benefit account.

In the case of Option 3 rehired retirees that participated in DROP, the benefit account has to be manually changed to an active status when a payment from their LASERS DROP payee account is made. After payment is issued, then the benefit account status has to be manually changed back to suspended.

In order to alleviate this situation and possible others, the appropriate payee status should be suspended for the Option 3 rehired retirees instead of the benefit account.

RECOMMENDATION

Fiscal should work with IT to update the appropriate payee account status when Option 3 rehires and terminations are processed in SOLARIS. Note: When making this change, logic for related rehired retiree processes (e.g., the annual allowable earnings letter) should be evaluated since they may reference the benefit account status.

DIVISION RESPONSE

Fiscal agrees with this recommendation. TFS item 51410 has been entered to research the logic and correspondence and TFS item 51409 to change what suspends. This has been assigned a low priority because this is a small process where the population of approximately 750 has not justified a higher priority. The completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT

The rehired retiree related TFS items are on the list of projects for future consideration and prioritization by the IT Governance Committee. The current IT Governance Committee project plan has resources already assigned out for at least the next 12 months. Therefore, Audit Services will obtain a status update of this item by December 31, 2020.

5. OPTION 1A REHIRED RETIREE ALLOWABLE EARNINGS REQUEST CLASSIFIED IN OPTIMUS AS A RE-EMPLOYMENT OF RETIREE FORM

OBSERVATION

Potential rehired retirees may choose an option that would limit their earnings each fiscal year to 50% of their annual retirement benefit (as adjusted by the Consumer Price Index). Individuals considering this option may request their fiscal year estimated allowable earnings amount from LASERS before making a rehire decision. When this type of request is received by LASERS, it is incorrectly classified in OPTIMUS as a Re-employment of Retiree Form.

According to Fiscal, this request is classified in OPTIMUS as a Re-employment of Retiree Form because it creates a work item in the appropriate workbasket for processing by staff. Upon receipt of this work item, Fiscal staff will make the determination as to whether it is a Re-employment of Retiree Form or an allowable earnings request from the retiree and then process accordingly. It should be noted that a document type can be configured in OPTIMUS to create a work item and be placed in any defined workbasket; therefore, classifying two different documents as the same document type is not required. Per Fiscal, an estimated minimum of 250 requests like these are received per year.

The current misclassification creates data integrity issues within OPTIMUS and impacts the accuracy and reliability of reports, queries, etc. and should be re-classified.

RECOMMENDATION

Fiscal should work with IT to create a separate document type in OPTIMUS for the retiree's request for an allowable earnings letter.

DIVISION RESPONSE

Fiscal agrees with this recommendation. TFS item 51419 has been entered to address this issue. This has been assigned a low priority because this is a small process where the population of approximately 750 has not justified a higher priority. The completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT

The rehired retiree related TFS items are on the list of projects for future consideration and prioritization by the IT Governance Committee. The current IT Governance Committee project plan has resources already assigned out for at least the next 12 months. Therefore, Audit Services will obtain a status update of this item by December 31, 2020.

6. REHIRED RETIREE PROCESS AND PROCEDURES SHOULD BE UPDATED

OBSERVATIONS

The following items were noted during this review and relate to instances where the rehired retiree procedures should be updated.

	OBSERVATIONS	RECOMMENDATIONS
6A	When a Re-employment of Retiree Form is received, a review is performed by Fiscal staff to ensure the form is complete and the	See recommendation below.

	<p>individual is eligible to be a LASERS rehired retiree. If the form is accepted, then it is processed in the SOLARIS Cancel Retirement History module. Otherwise, the form is rejected and the employer agency is notified as to the reason for the rejection.</p> <p>During this review, four individuals were identified as not eligible for LASERS and should have been rejected, but were not. These individuals were rehired by a notice of election agency in an unclassified position, which is considered ineligible. It should be noted that the entries in the SOLARIS Cancel Retirement History module for these records were fixed and deleted.</p>	
6B	<p>When a Re-employment of Retiree Form is received, the necessary updates are made in the SOLARIS Cancel Retirement History module. In the instances where a new rehire is received and the individual is already in an active rehired status, per the Cancel Retirement History, Fiscal staff should take the necessary action to review the previous rehire entry. When this situation occurs, the most common action is to inactivate the previous rehire entry by entering a termination date.</p> <p>Currently, there is no written guidance for Fiscal staff on the necessary action to be taken in this situation.</p>	See recommendation below.
6C	<p>For Option 1A rehired retirees, an annual letter requesting the fiscal year actual earnings is mailed to the appropriate employer agency by Fiscal staff. When the actual earnings amount is received back from the employer agency, it is processed in the SOLARIS Excess Earnings module to determine if the individual earned more than their allowable earnings amount.</p> <p>During this review, there were two scenarios identified where the procedures related to this process should be updated:</p> <ul style="list-style-type: none"> • One instance was identified where an entry in the SOLARIS Excess Earnings module was not created for an individual that was deceased at the time the letter was received back from the employer agency. Since an entry was not created in the SOLARIS Excess Earnings module, the calculation of possible excess earnings was not performed. Fiscal has discussed this instance with Legal and it was confirmed that the individuals that fall into this scenario should be processed in SOLARIS. It should be noted that the individual identified during this review has been processed in SOLARIS. • One instance was identified where a FYE 2018 annual earnings request letter was not sent for an individual that was rehired in FYE 2018. The FYE 2018 annual earnings request letter process was performed in July 2018; however, LASERS was not notified of this individual's rehired date of June 4, 2018 until August 22, 2018. If a Re-Employment of Retiree form is received after the annual earnings request letter process has been completed and the rehire date is for a prior fiscal year, 	See recommendation below.

	then Fiscal should take the necessary steps to request the actual earnings from the employer agency	
6D	<p>When a Re-employment of Retiree Form is received and processed in SOLARIS for an Option 1A rehired retiree, an initial letter is sent to them that contains their allowable earnings amount for the fiscal year. The initial letter is automatically created in SOLARIS and electronically reviewed by Fiscal staff before being mailed.</p> <p>During this review, it was determined that there are certain situations when the initial allowable earnings letter should not be sent and the automated SOLARIS correspondence should be deleted. According to Fiscal, a couple of common example situations where this would occur would be when a form is received around the same time as when the annual allowable earnings letter process is performed or when the initial letter contains an incorrect allowable amount. Currently, there is no written guidance for Fiscal staff on when and how this should be performed.</p>	See recommendation below.

RECOMMENDATION (CLOSED)

Fiscal should evaluate the rehired retiree process and procedures for the areas described in the observations and take the steps to make the necessary updates.

DIVISION RESPONSE

Fiscal agrees with this recommendation. Fiscal has updated procedures as recommended.

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.


 Paul Tran
 Auditor


 Ryan Babin, CIA, CISA, CPA
 Audit Services Director

Cc: Maris LeBlanc
 Trey Boudreaux
 Artie Fillastre
 Dan Bowden
 Wretha Drinnon
 Eric Schoonmaker
 Casey Jackson
 Johnathon Sprouse