LASERS
Louisiana State Employees'
Retirement System

8401 United Plaza Blvd., Baton Rouge, LA 70809 | **Mail:** P.O. Box 44213, Baton Rouge, LA 70804-4213
Toll-free 1.800.256.3000 | Local 225.922.0600 | www.lasersonline.org

Assurance Report

1801 Agency Contribution Reporting (ACR)

January 21, 2020

Cindy Rougeou, LASERS Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

The following observations were identified during this review and are detailed below:
1. The agency delinquency process should be improved.
2. Exceptions are not functioning as expected.
3. Controls related to member account history record changes should be improved.
4. Controls related to agency contribution report changes should be improved.
5. The identification and processing of LaGov retros should be improved.
6. Procedures relating to the research and review of Fiscal exceptions should be improved.

In discussions with Fiscal during this audit, they noted that the SOLARIS related weaknesses outlined in the observations have existed either since SOLARIS implementation or shortly thereafter. Fiscal noted that a project to re-design SOLARIS ACR has been discussed and considered periodically since SOLARIS implementation; however, during those times, other projects took precedence due to priority and technical resource availability.

BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2018 Audit Plan. The fieldwork for this engagement was completed on March 12, 2019.

In general, ACR is the process in which employer agencies provide LASERS with their contribution related information. The ACR process includes receiving and processing the employee and employer

contribution information that is provided by agencies on a monthly basis via file transfer protocol (FTP) files or Employer Self-Service (ESS).

When an agency submits a file to LASERS, the records go through a process that generates exceptions. These exceptions generate when the data provided by the agencies violate certain business rules. These exceptions are researched and addressed by Fiscal and Member Services staff.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement consisted of reviewing the ACR process, as it relates to the engagement objectives.

The primary objectives of this engagement were to determine if:
- Processes and procedures related to ACR are adequate.
- Employer agency contribution transactions are accurate and processed in accordance with LASERS rules and regulations.

Procedures used to complete this engagement included:
- Reviewing and examining procedures, laws, and controls.
- Interviewing LASERS staff.
- Analyzing data in SOLARIS, Optimus, JD Edwards, and LaGov.
- 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.   THE AGENCY DELINQUENCY PROCESS SHOULD BE IMPROVED

OBSERVATION
In order to comply with statute and LASERS policy, Fiscal has a process in place to identify agencies who are delinquent with their contribution reports and/or payments and invoice those where the delinquency amount is above the $25.00 approved threshold.

The current process administered by the LASERS Fiscal staff to track and identify agency delinquencies is not fully documented in procedures and is manual in nature. A spreadsheet is used to record information as agencies submit their reports and payments to LASERS and also calculates the interest due from the agencies determined to be delinquent. During this review, the following examples of weaknesses/errors with the tracking spreadsheet were identified:
- The spreadsheet does not contain security controls (i.e., locking cells that do not require manual updates).
- The inherent manual nature of completing this spreadsheet is prone to human error.

- Two examples of errors identified during this review was as follows:
  - Possible delinquency for an agency not properly calculated due to missing formulas. After being updated by Fiscal, it was confirmed that this error did not result in an actual delinquency.
  - Tracking spreadsheet not updated for an agency that was more than one month late with their contributions. After being updated by Fiscal, it was confirmed that this error did result in an actual delinquency.

These weaknesses and types of errors could be mitigated by taking steps to improve and automate this process. There is an electronic report in SOLARIS called the "General Report – Agency Accounts Receivable" that exists and should calculate the agency delinquency amounts, but it is not used by Fiscal because it does not effectively identify the agencies that are delinquent.

According to Fiscal, these SOLARIS related weaknesses are known issues; therefore, the manual process noted above was implemented as a workaround along with additional compensating controls (i.e. staff experience and proficiency).

The effectiveness of the agency delinquency process is necessary to maintain compliance with statute and LASERS policy by ensuring that all agencies that should be invoiced are invoiced appropriately, that agencies are not invoiced when they should not be, and that the correct amount of interest is written off for agencies whose delinquency is under the $25.00 approved threshold.

RECOMMENDATION
Fiscal should work with IT to identify and evaluate the SOLARIS changes that are necessary to improve and automate the agency delinquency process which, at a minimum, should address the items noted in the observation. Upon completing this evaluation, an implementation plan should be developed and reviewed by all parties involved.

In the interim, Fiscal should implement controls and procedures to address the items noted in the observation and that will improve the agency delinquency process.

It should be noted that, during this review, Fiscal took steps to address this item. Fiscal updated the procedures for the current process, and entered TFS item 47114 to correct the Agency Accounts Receivable Report and the Create Invoices and Calculate Interest Batch in SOLARIS, which will move toward automating this process.

DIVISION RESPONSE
Fiscal agrees with this recommendation and the priority has been set as medium. Fiscal has corrected the columns in the manual spreadsheet and locked down the fields. Additionally, procedures have been updated to include the process for agencies that are more than one month late and the process for reviewing the agency delinquency spreadsheet. We will continue to use the manual process until TFS item 47114 is worked, tested, and placed into SOLARIS production. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
Audit Services has confirmed that the spreadsheet and procedure updates have been made. As for TFS item 47114, a project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update by then.

_____

2.   EXCEPTIONS ARE NOT FUNCTIONING AS EXPECTED

OBSERVATION

During this review, testing was performed to verify that SOLARIS ACR related exceptions were working as designed. The testing covered both FTP and ESS file reporting types. All Critical Fiscal (CF), Read-Load (RL), Read-Move (RM), X-File-Load (XL), X-File-Move (XM), Non-Critical Fiscal (NCF), and Non-Critical Member Services (NCM) exceptions within the scope of this review were tested. The different situations where the exceptions did not function as expected are outlined below. It should be noted that multiple scenarios were tested for many of the exceptions listed below, but this report contains only the examples in which the exception did not act as expected.

A. The following exceptions are items where the contribution file should have been rejected due to the specific Fiscal exception noted, but did not. In general, these types of exceptions are designed to test the validity of the header, detail, and footer records of the FTP files. Detailed information for these exceptions, the testing scenarios, and results can be found in Appendix A.

- RL-023	- RL-033	- RM-013	- RM-037
- RL-025	- RL-038	- RM-014	- RM-038
- RL-028	- RL-045	- RM-028	- RM-039
- RL-029	- RM-001	- RM-030	- XL-004
- RL-030	- RM-006	- RM-035	
- RL-031	- RM-012	- RM-036	

B. The following exceptions are items where the contribution file should be processed and the specific Fiscal exception should generate, but did not. In general, these types of exceptions are designed to test the validity of the contribution related data within the FTP and ESS files. Detailed information for these exceptions, the testing scenarios, and results can be found in Appendix B.

- NCF-005 **(Item Closed)**
- NCF-038

It should be noted that upon discovering the issues above, audit did not perform testing to identify files that should have been rejected or should have generated an exception, but did not. This is due to Audit's confidence level in the current requirements for the exceptions. Further testing can be performed with the completion of Recommendation #1, as deemed necessary.

Furthermore, an evaluation of the process to test and validate the exceptions in place are functioning as intended was performed. According to Fiscal and Member Services, this type of testing is performed only when changes are implemented in SOLARIS that appear to affect specific exceptions (i.e., logic changes to NCF-005 would result in testing of this exception). It was determined that there is no process in place to test the functionality of these exceptions on a periodic, on-going basis. Due to the

potential of other changes in SOLARIS impacting the exception process, using this testing method could lead to exceptions not functioning as intended without knowledge of this.

RECOMMENDATION #1
Fiscal should work with IT to ensure that the requirements for the RL, RM, XL, XM, CF and NCF exceptions are clearly defined and working as expected. This should include reviewing the file layout specifications to ensure adequate coverage for non-NCF exceptions.

Fiscal has taken action to correct the exceptions listed above, which can be seen in the results sections of Appendix A and B.

DIVISION RESPONSE
Fiscal agrees with this recommendation and the priority has been set as medium. Fiscal has entered and documented several bug fixes in TFS as noted in Appendix A and B to make the edits more meaningful and efficient. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
A project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update on these TFS items by then.

RECOMMENDATION #2
Fiscal and Member Services should develop a process to periodically test that exceptions are functioning as intended. A highly effective solution would be automated testing of these exceptions each time a SOLARIS build is implemented.

DIVISION RESPONSES
Fiscal and Member Services agree with this recommendation and the priority has been set as low. Once the bug fixes from Recommendation #1 are complete, Fiscal will work with IT to develop testing files that will be used to verify if exceptions are working as intended. These files will be tested at least annually. The development of automated testing is the ideal solution, but would require significant involvement from IT. Fiscal has entered TFS item 48803 for the development of automated testing files. Member Services stated that periodic testing is not likely, at this time, as they currently lack the resources required due to the amount of effort and the level of expertise needed. They noted that they already have safeguards in place through the various processes that are performed, making this particular item low risk; however, agree with implementing automated testing at build time. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
A project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update on the TFS items associated with Recommendation #1 and #2 by then.

_____

3. CONTROLS RELATED TO MEMBER ACCOUNT HISTORY RECORD CHANGES SHOULD BE IMPROVED

<u>OBSERVATION</u>

There are situations where the earning, base pay, and/or contribution amounts reported to LASERS may need to be updated (e.g., resolve identified exceptions, apply reported retroactive contributions to the correct period, etc.). Changes to these items can only be made if an exception exists on a record.

NCM or NCF exceptions can be generated in two ways: system (SOLARIS) generated and manually created. System generated exceptions are accompanied with a work item, created in Optimus, that indicates what could be wrong with the record. Manually created exceptions are created by a user when they want to update a record that does not have a system generated exception. When an exception is cleared in all instances, the record is flagged with a check mark on the main SOLARIS Account History screen and a comment is included that contains the username of the person who made the change when viewing the record details.

During this review, the following situations outline areas where controls related to account history record changes should be improved:

a. Currently, there are two methods used to access identified account history record exceptions in SOLARIS. One method is by selecting the account history record from the Account History tab and the other is by selecting the exception from the Exception tab. When accessing the exception via the Account History tab, no exception can be created and saved unless a comment containing text is entered. However, from the Exception tab, a comment is still required, but no text actually has to be entered. When creating or resolving account history record exceptions in SOLARIS, the individual performing the task should be required to enter a comment stating the reason why the exception is being created or cleared. The SOLARIS functionality should consistently require a text comment to be entered, regardless of the manner in which an exception is accessed.

b. It was observed that an individual, with security access to edit account history records, is able to make adjustments to their own contribution records in SOLARIS. It should be noted that during this review TFS item 41326 was created to address this. Audit is not aware of any examples of when an individual updated their own record.

c. It was observed that an individual's earnings and contributions could be modified though the exception resolution process. The current process for resolving exceptions that require changes to the account history data does not include a system approval prior to the updates being made. However, the following items relate to a review performed on completed NCM and NCF exceptions:
   o Fiscal reviews ten percent of completed, system generated exceptions.
   o Member Services does not have a review process in place for completed, system generated exceptions.
   o Neither Fiscal nor Member Services has a review process in place for manually generated exceptions.

d. When attempting to save changes made to account history records, the updated record is not validated against the active NCF or NCM exceptions to identify if the changes violate any pre-defined rules. This process improvement would prevent improper adjustments from being made to an account history record. During limited sample testing, no examples of instances where an improper adjustment was made to a record was identified.

Proper controls related to the member account history record changes should be implemented to ensure consistency and reduce the possibility of error or internal fraud.

RECOMMENDATION #1
Fiscal and Member Services should work with IT to ensure that the logic in SOLARIS is consistent by requiring comments for any updates made to contribution records, regardless of how the update is made. TFS item 46959 has been entered to address this item.

DIVISION RESPONSES
Fiscal and Member Services agree with this recommendation and the priority has been set as low. TFS item 46959 has been entered to address this item in SOLARIS. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
A project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update on this TFS item by then.

RECOMMENDATION #2 (CLOSED)
TFS item 41326 should be completed to ensure that no individuals are able to update their own contribution records.

DIVISION RESPONSES
Fiscal and Member Services agree with this recommendation and the priority has been set as low with a target completion date of December 31, 2019.

RECOMMENDATION #3
Fiscal and Member Services should work with IT to identify and evaluate the SOLARIS changes that are necessary to address the control weakness related to the approval of account history data changes. Upon completing this evaluation, an implementation plan should be developed and reviewed by all parties involved.

In the interim, Fiscal should develop and implement a review process to include manually generated NCF exceptions. Member Services should develop and implement a process to review NCM exceptions.

DIVISION RESPONSES
Fiscal and Member Services agree with this recommendation and the priority has been set as low. Fiscal noted that TFS item 24466 was entered in 2010 to create a new report for exceptions and we have now entered TFS item 48794 to replace the original item. TFS 48794 requests we create a report listing all non-critical exceptions cleared during a given time frame. The report will be used to select items for review (10% of total exceptions including NCF-000). Fiscal's updated process includes a ten percent review of all cleared exceptions, regardless of how they were created. Member Services noted that they currently review ten percent of all processes where NCM exceptions are manually created. The requirement to review cleared exceptions has been added to the ten percent check for Service Credit Reviews and Retirement Processing. The estimated

completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
Audit Services has confirmed that the review process for exceptions as noted in the response from Fiscal and Member Services has been implemented. As for the long term SOLARIS related changes noted in the recommendation and response, a project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update by then.

RECOMMENDATION #4
Fiscal and Member Services should work with IT to identify and evaluate the SOLARIS changes that are necessary to validate account history record changes against established validations prior to the change being processed. Upon completing this evaluation, an implementation plan should be developed and reviewed by all parties involved.

DIVISION RESPONSES
Fiscal and Member Services agree with this recommendation and the priority has been set as low. TFS item 48853 has been entered to address this in SOLARIS. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
A project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update on this TFS item by then.

_____

4.   CONTROLS RELATED TO AGENCY CONTRIBUTION REPORT CHANGES SHOULD BE IMPROVED

OBSERVATION
Upon receiving an agency's monthly contribution report and corresponding payment, Fiscal pre-loads the report into a test environment to ensure there are no file rejection errors. Once this is confirmed, the files are placed into a folder so it can be loaded into SOLARIS production. After the report is loaded into SOLARIS production, Fiscal also confirms that the total employee and employer contribution amount matches the payment amount. According to Fiscal, if there is an error or a difference, staff performs the following:
   a. In situations where an error that would stop the file from merging into SOLARIS production is found, Fiscal manually changes the original file that was submitted by the agency instead of sending it back to them for correction. After these changes are made, the file is loaded into SOLARIS production.
   b. In situations where an agency's payment is off by less than $1.00, Fiscal will reject the file, after being loaded into SOLARIS production and change it in ESS by making a small

adjustment to an individual's employer contributions. After these changes are made, Fiscal will re-submit the file that now matches the payment amount.

According to Fiscal, these SOLARIS related weaknesses are known issues; therefore, the manual process noted above was implemented as a workaround along with additional compensating controls (i.e. staff experience and proficiency). It should be noted that audit is not aware of any examples of files being updated inaccurately.

In both of these situations, changing the reports submitted by the agency poses the risk of the files being updated with inaccurate information. Furthermore, the current process for changing the reports submitted by the agency does not include a system approval prior to the changes being made or a review after the changes are processed.

RECOMMENDATION #1 (CLOSED)
Fiscal should develop a process to work with the agencies to resolve rejected files without the need for Fiscal staff to make changes on an ongoing basis.

DIVISION RESPONSE
Fiscal agrees with this recommendation and the priority has been set as low with a target completion date of December 31, 2019. It should be noted that the decision to not reject files and send them back to the agencies was made by Fiscal, Member Services, and Executive when ACR went live in SOLARIS. This process was deemed more efficient because Fiscal could correct and process a file faster than it would take the agency to fix and resubmit corrections. This in turn allowed Member Services to process retirements faster. Since the Audit, Fiscal has begun notifying agencies of rejections and is working with them to correct the submission of future files.

RECOMMENDATION #2
Fiscal should work with IT to identify and evaluate the SOLARIS changes that are necessary to ensure:
- The original reports submitted by the agency are not accessible to Fiscal staff.
- A system approval process is implemented for any changes made to the reports submitted by the agency.

Upon completing this evaluation, an implementation plan should be developed and reviewed by all parties involved.

In the interim, Fiscal should develop and implement a process to review any files that are changed prior to being finalized into SOLARIS production. This should include updating access to change the original report prior to being loaded into SOLARIS to essential personnel only.

DIVISION RESPONSE
Fiscal agrees with this recommendation and the priority has been set as low. TFS item 48856 was entered to address this issue. Fiscal has begun rejecting files and, in very limited situations, manual corrections are made. Upon completion of manual changes, the file is processed in SOLARIS and if it is not rejected, then this confirms that all changes were made correctly. Furthermore, the Fiscal staff that have access to modify the files are limited only to those that perform or oversee ACR functions.   The interim portion of this recommendation is complete. As for the other components of this recommendation, the estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
Audit Services has confirmed the interim changes made to this process are complete. As for the long term related changes noted in the recommendation and response, a project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update by then.

_____

5.   THE IDENTIFICATION AND PROCESSING OF LAGOV RETROS SHOULD BE IMPROVED

OBSERVATION
A retro is created when an agency submits earnings and/or contributions in a different month than they are due for, which may require the amount(s) to be allocated to the correct month(s). For example, if an employee was not originally enrolled in LASERS, but should have been, the agency will submit a lump sum of earnings and contributions that need to be spread back to the appropriate months they were earned in.

Fiscal performs a monthly process to identify retros for LASERS members whose employer agencies are on the LaGov payroll system and Member Services processes all other retros. This monthly process performed by Fiscal consists of obtaining the Retirement Research Report from LaGov and executing a batch process in SOLARIS to analyze the LaGov report data. The batch process ends with two spreadsheets that must be manually reviewed. Information on these two spreadsheets is as follows:
- The regular retro spreadsheet contains the items that SOLARIS has determined to be a retro. This spreadsheet is manually reviewed to ensure the data appears accurate.
- The "error" spreadsheet contains information that SOLARIS was unable to conclude on. The information on this spreadsheet is compared to information in the LaGov system. When determined to be a valid retro, these entries are manually changed and moved to the regular retro spreadsheet.

After the manual review is complete, the regular retro spreadsheet is then loaded into SOLARIS production and the changes are applied to the appropriate account history records.

During this review, it was determined that this manual process allows for errors. Those errors included, but are not limited to, items that were transferred to the regular retro spreadsheet incorrectly and items that were manually calculated incorrectly. Also, the updated regular retro spreadsheet is not reviewed by a Fiscal staff member that did not perform the updates, prior to being loaded into SOLARIS production for processing.

According to Fiscal, these SOLARIS related weaknesses are known issues; therefore, the process relies on compensating controls (i.e. staff experience and proficiency).

Overall, the process to identify and complete LaGov retros should be improved to ensure that all retros are properly processed. It is important that retros are identified and processed because this can impact a member's service credit and/or their final average compensation, which impacts their retirement benefit amount.

RECOMMENDATION

Fiscal should perform a thorough review of the LaGov retro process and work with IT to implement a new process that corrects the issues listed above, as well as, any other deficiencies identified. This may include working with the Lousiana Office of State Uniform Payroll (OSUP) to better use the current report or to receive a new report that contains the necessary information to properly process these retros.

In the interim, Fiscal should implement controls and procedures that effectively address the items noted in the observation to ensure LaGov retros are processed accurately.

DIVISION RESPONSE

Fiscal agrees with this recommendation and the priority has been set as medium. TFS item 24465 was entered several years ago to review/improve the retro process. Initially, Fiscal plans to work with Member Services to determine if the existing process can be streamlined due to possible overlapping efforts as well as identify situations where retro processing could be irrelevant. In the interim, Fiscal is modifying the existing retro process to have the spreadsheet completed by staff and reviewed and uploaded into SOLARIS by the supervisor. The interim portion of this recommendation has a target completion date of June 30, 2020. As for the other components of this recommendation, the estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT

Audit Services will review the interim solution by June 30, 2020. As for the long term related changes noted in the recommendation and response, a project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update by then.

_____

6.   PROCEDURES RELATING TO THE RESEARCH AND REVIEW OF FISCAL EXCEPTIONS SHOULD BE IMPROVED

OBSERVATION

When an agency submits information on the monthly contribution file that does not adhere to the expected criteria, exceptions will generate. Different types of exceptions exist that either generate on the file that was submitted or the individual record with the possible issue. Exceptions that generate on the individual record also create a work item in Optimus. LASERS staff performs research on these items to determine the best course of action to adequately address the exception.

The procedures for addressing the different types of exceptions should be improved. The chart below contains additional details on all of the exception types along with the related procedure information.

Exception Type	Responsible Division	Action of Exception	Procedure Information
Non-Critical Fiscal (NCF)	Fiscal	Generates on the individual contribution record	Procedures exist that facilitate how to identify these exceptions, but detailed information regarding

		and creates a work item.	the proper corrective action for each does not exist.
Non-Critical Member Services (NCM)	Member Services	Generates on the individual contribution record and creates a work item.	Detailed procedures exist that explain how to identify these exceptions and the proper corrective action for each.
Critical Fiscal (CF)	Fiscal	Stops the file from completing the process of being merged into SOLARIS, but does not reject the file.	Procedures exist that facilitate how to identify these exceptions, but detailed information regarding the proper corrective action for each does not exist.
Read-Load (RL)	Fiscal	Rejects the entire file being submitted.	No procedures exist for these exceptions.
Read-Merge (RM)	Fiscal	Rejects the entire file being submitted.	No procedures exist for these exceptions.
X-File Load (XL)	Fiscal	Rejects the entire file being submitted.	No procedures exist for these exceptions.
X-File Merge (XM)	Fiscal	Rejects the entire file being submitted.	No procedures exist for these exceptions.

Also, according to the ACR procedures, "The ACR supervisor will randomly sample 10% of cleared exceptions for correcting records and debit and credits on a monthly basis to verify that the exceptions cleared are correct." Audit Services was unable to confirm whether this procedure has been consistently performed since a log or other related documentation of items reviewed was not kept.

Detailed procedures in these areas can result in greater consistency and reduce the likelihood of error.

RECOMMENDATION #1
The procedures for addressing Fiscal exceptions (NCF, CF, RL, RM, XL, and XM) should be updated to include detailed expectations on how the different exceptions should be addressed and what supporting documentation is required. All of the exception types should be included when making these updates.

DIVISION RESPONSE
Fiscal agrees with this recommendation and the priority has been set as low. Fiscal has created procedures which outline the proper corrective action for NCF exceptions. Fiscal will update the procedures for addressing the remaining Fiscal type exceptions once IT completes the TFS items associated with Observation #2, Recommendation #1 related to fixing the various edits. The estimated completion date will be determined by the IT Governance Committee based on the agencies priorities.

AUDITOR COMMENT
Audit Services has confirmed that the procedures related to NCF exceptions has been created. As for the procedures related to the exceptions associated with Observation #2, Recommendation #1, a project to revamp SOLARIS ACR has been approved 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, the start date and scope for Phase 1 of this project has not been finalized and will be revisited by December 31, 2020. Audit Services will obtain a status update by then.

RECOMMENDATION #2

The process for the ACR Supervisor to check ten percent of cleared exceptions needs to be improved to ensure that this is completed on a monthly basis and a log is kept showing what items were reviewed.

It should be noted that, during this review, Fiscal created a process to document the items that are reviewed by the ACR Supervisor each month.   This item should remain open until the process has consistently been completed for six months to allow for further refinements, as needed. Audit Services will review the documentation at the conclusion of this six-month period.

DIVISION RESPONSE

Fiscal agrees with this recommendation and the priority has been set as low with a target completion date of June 30, 2020.

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.

Ryan Babin

Ryan Babin, CIA, CISA, CPA
Audit Services Director

Cc: Maris LeBlanc
        Trey Boudreaux
        Artie Fillastre
        Tricia Gibbons
        Dan Bowden
        Wretha Drinnon
        Jonathan Drago
        Eric Schoonmaker
        Casey Jackson

APPENDIX A

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
RL-023	The full-time base salary is invalid or missing.	Upload a file with an invalid base salary (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
RL-025	The employee earnings are invalid or missing.	Upload a file with invalid employee earnings (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
RL-028	The sheltered employee contributions are invalid or missing.	Upload a file with sheltered employee contributions that are invalid (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
RL-029	The sheltered employer contributions are invalid or missing.	Upload a file with sheltered employer contributions that are invalid (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
RL-030	The unsheltered employer contributions are invalid or missing.	Upload a file with unsheltered employer contributions that are invalid (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
RL-031	The unsheltered employee contributions are invalid or missing.	Upload a file with unsheltered employee contributions that are invalid (leading digit replaced with a dash). In this scenario, a non-numeric value would be considered invalid.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
RL-033	The unsheltered contributions are reported, but the reported reason is invalid or missing, or vice versa.	Upload a file with a valid unsheltered reason reported, but the unsheltered employee contributions are invalid (leading digit replaced with a dash).	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48120 to correct the functionality of this exception.
		Upload a file with a valid unsheltered reason reported, but the unsheltered employee contributions are missing.	C File	
		Upload a file with a valid unsheltered reason reported, but the unsheltered employer contributions are missing.	C File	
		Upload a file with a valid unsheltered contributions Reason reported, but the unsheltered employer contributions are invalid (leading digit replaced with a dash).	C File	
RL-038	The pay adjustment code is invalid or missing. Note: The pay adjustment code is required when contributions are being submitted for a reporting period prior to the file's reporting period.	Upload a file with a pay adjustment code that is invalid (replaced as all zeros).	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46867 to fix the functionality of this exception.
		Upload a file with a pay adjustment code that is missing and a reporting period that is prior to the reporting month as outlined on the header record of the file.	C File	
RL-045	The termination date reported is invalid or prior to last year.	Upload a file with a termination date that is at least 1 year old.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46868 to correct the logic and description of this exception to generate when a termination date is reported that is more than three years old.

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
RM-001	The file does not contain any data or a row with invalid total length exists.	Upload a file with an invalid total length in the footer (removed a character from the footer).	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46982 to review the logic and description of this exception.
RM-006	The agency number in the header record does not match the agency number in the detail for self-reporting agencies.	Upload a file with the agency number in the header that does not match the agency number in the detail record.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 48119 to correct the logic of this exception.
RM-012	The header record does not match schema format.	Upload files with header record formats that do not match the schema format.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46984 to correct the logic of this exception.
RM-013	The footer record does not match schema format.	Upload files with footer record formats that do not match the schema format.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46985 to review the logic and description of this exception.
RM-014	The detail record does not match schema format.	Upload files with detail record formats that do not match the schema format.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 47086 to review the logic and description of this exception.
RM-028	The detail record code in a detail record is invalid or missing.	Upload a file where the detail record code in the detail record is invalid (entered "2" instead of "D").	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 47074 to fix the functionality of this exception.
		Upload a file where the detail record code in the detail record is missing.	C File	

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
RM-030	The footer record contains an invalid or missing record type.	Upload a file where the footer has an invalid record type (entered "3" instead of "F").	C File	This file was not rejected.

It should be noted that Fiscal has entered TFS item 47076 to fix the functionality of this exception. |
| | | Upload a file where the footer has a missing record type. | C File | |
| RM-035 | The footer has invalid total employee unsheltered contributions | Upload a file in which the total employee unsheltered contributions is invalid (leading digit replaced with a dash). | C File | This file was not rejected.

It should be noted that Fiscal has entered TFS items 47080 and 47084 to review the logic and update the description of this exception. |
| RM-036 | The footer has invalid total employer unsheltered contributions. | Upload a file in which the total employer unsheltered contributions is invalid (leading digit replaced with a dash). | C File | This file was not rejected.

It should be noted that Fiscal has entered TFS items 47081 and 47084 to review the logic and update the description of this exception. |
| RM-037 | The footer is missing or has invalid total employee sheltered contributions. | Upload a file in which the total employee sheltered contributions is invalid (leading digit replaced with a dash). | C File | This file was not rejected.

It should be noted that Fiscal has entered TFS items 47082 and 47085 to review the logic and update the description of this exception. |
| RM-038 | The footer is missing or has invalid total employer sheltered contributions. | Upload a file in which the total employer sheltered contributions is invalid (leading digit replaced with a dash). | C File | This file was not rejected.

It should be noted that Fiscal has entered TFS items 47083 and 47085 to review the logic and update the description of this exception. |

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
RM-039	The report year month is invalid; it should be within last three years.	Upload a file with a report year month that is more than three years old.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46989 to fix the functionality of this exception.
XL-004	The reported SSN in the retro file has no membership in LASERS.	Upload a file with an SSN that is not in LASERS.	C File	This file was not rejected. It should be noted that Fiscal has entered TFS item 46864 to fix the functionality of this exception.

APPENDIX B

Exception Identifier	Exception Description	Testing Scenario Performed	Process	Results
NCF-005	The sum of the calculated employee contributions minus the reported employee contributions is greater than $1.00 at the member level.	Submit employee contributions that are $0.00 or less and the difference in the calculated and reported employee contributions is greater than the absolute value of $1.00.	C File ESS	The expected exception and work item did not generate. It should be noted that Fiscal has entered TFS item 46863 to fix the functionality of this exception. **This item is closed.**
NCF-038	The annual earnings will exceed $225,000.	Submit earnings for a member that will make their annual earnings exceed $225,000.	C File	This exception description is not accurate. This exception is intended to identify when an individual goes over the annual earnings limit set by the IRS. The limit imposed in 2018 was $275,000. The logic should also reflect the changes to this amount as they occur. It should be noted that Fiscal has entered TFS items 24500 and 48115 to review the logic and description of this exception.