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## Assurance Report

### AH-2111 2021 Minimum Benefit Cost-of-Living Adjustment (MB COLA) Verification Testing

October 15, 2021

Cindy Rougeou, LASERS Executive Director  
The LASERS Audit Committee

#### ENGAGEMENT SUMMARY

During the testing of the 2021 MB COLA, it was determined that COLAs were not applied to all individuals who were eligible.

#### BACKGROUND

This was an unbudgeted engagement during the Fiscal Year Ending (FYE) 2021 Audit Plan. The fieldwork for this engagement was completed on September 30, 2021.

A MB COLA was approved in the 2021 Legislative Session to provide a minimum benefit increase for certain retirees, beneficiaries, and survivors. The amount of the COLA is in the form of an increase to a retiree's or surviving beneficiary's monthly benefit in an amount equal to the lesser of \$300 per month or the amount necessary to increase the monthly benefit to \$1,450. If a benefit option was chosen at retirement other than the Maximum, the actuarial benefit reductions are applied. The COLA was effective July 1, 2021.

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Cindy Rougeou, Executive Director

**LASERS** Benefits Louisiana.

## SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the engagement was to review the 2021 MB COLA data and related files.

The primary objective of this engagement was to determine if LASERS processed the 2021 MB COLA in accordance with applicable laws and procedures.

Procedures used to complete this engagement included:

- Performing data testing using Audit Command Language (ACL).
- Researching and reviewing applicable laws and procedures.
- Reviewing a sample of COLA letters to verify that the amount listed in the letter reflects the individual's respective COLA amount.
- 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. COLAS WERE NOT APPLIED TO ALL INDIVIDUALS WHO WERE ELIGIBLE

#### **OBSERVATION**

Audit Services performed testing to verify that the 2021 MB COLA was applied to the correct individuals and for the correct amount. In general, the eligibility criteria for receiving the COLA as of the July 1, 2021 effective date are as follows:

- The retiree must be at least sixty years of age.
- The retiree must have thirty years of service credit and been retired for at least fifteen years.
- The retiree must receive a monthly retirement benefit of less than \$1,450 dollars.
- The retiree had not participated in the Deferred Retirement Option Plan or had not chosen an Initial Benefit Option.

During this testing, sixteen individuals were determined to be eligible for the 2021 MB COLA, but were not setup in SOLARIS to receive the COLA. According to Member Services, this occurred because the query used to derive the individuals eligible for the 2021 MB COLA unintentionally excluded them since their records contained data anomalies. The two main data anomalies were the existence of multiple service retirement memberships and missing dates of birth. The 2021 MB COLA was correctly applied to the account for these sixteen individuals account prior to the effective date of the COLA.

Furthermore, due to the differences identified during the testing of the 2021 MB COLA, Audit Services executed similar automated testing scripts against the 2009 MB COLA to confirm accuracy. One individual was identified who met the requirements of 2009 MB COLA, but was not setup in SOLARIS to receive the COLA. Member Services is in the process of making the appropriate corrections to this record.

### **RECOMMENDATION #1**

Member Services should take the necessary action to ensure the payees cited in this observation have been properly corrected.

#### **DIVISION RESPONSE**

Member Services agrees with this recommendation. The one payee who was missed in year 2009 and needs to be corrected is in progress of being notified and added to the upcoming interim and November 2021 monthly payroll. The priority for this item has been set as high with a target completion date of November 30, 2021.

### **RECOMMENDATION #2**

Member Services should work with IT to improve the queries used for determining COLA eligibility. An additional independent query should be developed to verify that all eligible individuals are properly identified.

#### **DIVISION RESPONSE**

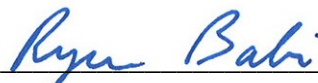
Member Services agrees with this recommendation. All current and prior TFS items related to MB COLA's have been linked for ease of historical reference. These items contain the IT technical process, the queries, logic and related information. Member Services has documented and attached the current findings and communications with Audit for future COLA consideration. Member Services has created a procedure guide which includes the current findings and how the missing data values impeded the query results. In future MB COLA or other COLA implementations, Member Services plans to create an independent query, which also takes into account the potential for missing data. The priority for this item has been set as high. The issue is documented and resolved until the necessity for a future COLA query.

### **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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