

Assurance Report

2217 Benefit Calculation Review

February 2, 2023

Cindy Rougeou, LASERS Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

During this review, there was one observation noted which relates to benefit calculation errors for nine individuals whose prorated unused leave calculation did not include service credit purchased for computational purposes.

BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2022 Audit Plan. The fieldwork for this engagement was completed on January 26, 2023.

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

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calculation process. Additionally, the same individual does not 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, 2021 to November 30, 2021. 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.

OBSERVATION, RECOMMENDATIONS, AND RESPONSES

1. BENEFIT CALCULATION ERRORS IDENTIFIED FOR NINE INDIVIDUALS WHOSE PRORATED UNUSED LEAVE CALCULATION DID NOT INCLUDE SERVICE CREDIT PURCHASED FOR COMPUTATIONAL PURPOSES

OBSERVATION

A sample of benefit calculations finalized from January through November 2021 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 175 calculations tested by Audit Services, nine benefit calculation errors were identified.

During this review, benefit calculation errors were identified for nine individuals whose prorated unused leave calculation did not include service credit purchased for computational purposes (Air Time B). Unused leave is prorated when an individual has service credit in multiple retirement plans that have varying accrual rates (i.e., 2.5% and 3.33%). In these nine instances, the unused leave was prorated between their varying accrual rates; however, the service credit allocated to each accrual rate was incorrect because the Air Time B service credit was not included.

Furthermore, when SOLARIS calculates the retirement benefit in this type of scenario, it does not include Air Time B service credit, so a manual calculation by Member Services is required to confirm the accuracy of the

retirement benefit and adjustments made accordingly. It should be noted that Member Services recently entered TFS Bug 94127 to address this issue in SOLARIS. The chart below contains details on the financial impact of these errors which is a total net underpayment of \$3,339.65 through January 31, 2023.

	Amount	Overpayment/Underpayment
Member 1	\$496.18	Overpayment
Member 2	\$1,931.97	Overpayment
Member 3	\$162.48	Underpayment
Member 4	\$281.35	Underpayment
Member 5	\$320.40	Underpayment
Member 6	\$360.91	Underpayment
Member 7	\$964.60	Underpayment
Member 8	\$1,216.85	Underpayment
Member 9	\$2,461.21	Underpayment

RECOMMENDATION #1

Member Services should perform the necessary steps to correct the calculation errors for the individuals noted in the observation.

DIVISION RESPONSE

Member Services agrees with this recommendation. All benefit payments will be corrected effective for the March monthly payroll and retro payments will go out in February. The priority for this item has been set as high with a target completion date of February 22, 2023.

RECOMMENDATION #2

Member Services should examine the benefit calculation process and procedures based on the issue noted above and determine which areas should be strengthened to minimize calculation errors. Furthermore, any relevant staff communication and training should be performed.

DIVISION RESPONSE

Member Services agrees with this recommendation. Staff will be required to use the calculation worksheet when members' benefits fall under this scenario. A workaround procedures document will be written to explain and highlight how this is addressed until SOLARIS is updated. Additionally, an automated report will be created to identify when members in this situation are within the retirement process. The priority for this item has been set as high with a target completion date of March 31, 2023. Worksheet will be used immediately and procedures will be ready by March 31, 2023

RECOMMENDATION #3


Member Services should work with IT to address TFS Bug 94127 which should result in SOLARIS correctly including service credit purchased for computational purposes when prorating unused leave.

DIVISION RESPONSE

Member Services agrees with this recommendation. The priority for this item has been set as medium with a target completion date of December 31, 2023. Member Services will request an estimated time for the fix since it has the appearance of low complexity and we are available when IT resources are ready to work on this bug.

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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