

OFFICE OF GROUP BENEFITS
DIVISION OF ADMINISTRATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 22, 2010

**LEGISLATIVE AUDITOR
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$14.10. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3589 or Report ID No. 80100066 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

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Our procedures at the Office of Group Benefits (OGB) for the period July 1, 2009, through June 30, 2010, disclosed:

- No significant control deficiencies or significant errors related to accounts receivable; accounts payable; estimated liabilities for claims incurred but not received, processed, or paid as of year-end; revenues; health claims expenditures; drug claims expenditures; or disclosure components for other postemployment benefits other than pensions were identified.
- No findings of noncompliance with applicable laws and regulations or other matters were identified.

We did not audit the Annual Fiscal Report of OGB; however, we did perform certain procedures in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States of America as part of our audit of the State of Louisiana's financial statements. This report is a public report and has been distributed to state officials. We appreciate OGB's assistance in the successful completion of our work.

Background

The Office of Group Benefits is an agency of the State of Louisiana within the Office of the Governor, Division of Administration. OGB is authorized by Chapter 12 of Title 42 of the Louisiana Revised Statutes of 1950, Sections 821, 851 and 871-879 as amended by Act 150 of the First Extraordinary Session of 1998 and Act 1178 of 2001 to provide health and accidental benefits and life insurance, and a Flexible Benefits plan to state employees, retirees and their dependents. Plan participation eligibility includes employees of state agencies, institutions of high education, local school boards that elect to participate in the Program, and certain political subdivisions. Eligibility does not include local government entities or municipalities. OGB is considered a program within the Division of Administration.

OGB consists of 15 divisions: Executive (Office of the CEO, Internal Audit, HIPAA Compliance), Administration, Quality Assurance, Fiscal, Eligibility, Claims, Flexible Benefits & Imaging Services, Customer Services, Provider Services, Agency Services, Legal, Plan Administration, Information Systems, Information Operations, and Information Applications. Currently, OGB has 148,250 covered employees/retirees and 255,950 total covered lives. The administration of all areas of benefits of these individuals is handled by the Administration Unit. Life insurance benefits are included in the total benefit package that is offered by OGB and State of Louisiana.

The goals of OGB are to:

- Measure and improve operational efficiency and effectiveness at OGB
- Continuously increase customer satisfaction for OGB customers
- Improve the health of plan members

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 30, 2010

**OFFICE OF GROUP BENEFITS
DIVISION OF ADMINISTRATION
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2010, we conducted certain procedures at the Office of Group Benefits (OGB) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented an understanding of OGB's operations and system of internal controls through inquiry, observation, and review of OGB's policies and procedures documentation including a review of the related laws and regulations applicable to OGB.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using OGB's annual fiscal reports and/or system-generated reports and obtained explanations from OGB management of any significant variances.
- Our auditors considered internal control over financial reporting; examined evidence supporting the accounts receivable, accounts payable, estimated liabilities for claims incurred but not received, processed, or paid as of year-end, revenues, health claims expenditures, and drug claims expenditures accounts and balances; and the disclosure components for other postemployment benefits other than pensions that were material to the State of Louisiana's financial statements; and tested OGB's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010, in accordance with *Government Auditing Standards*.
- Our auditors prepared a Budgetary Comparison Schedule for the fiscal year ended June 30, 2010, using the OGB Annual Fiscal Report and additional data in the Integrated Statewide Information System, the state's accounting system. This schedule is presented as additional information but has not been subjected to auditing procedures.

The Annual Fiscal Report of OGB is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. OGB's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of procedures referred to previously, we found no significant control deficiencies, noncompliance, or errors related to analytical procedures, accounts receivable, accounts payable, estimated liabilities for claims incurred but not received, processed, or paid as of year-end, revenues, health claims expenditures, drug claims expenditures, or disclosure components for other postemployment benefits other than pensions that required disclosure in this management letter or in the Single Audit Report for the State of Louisiana.

This letter is intended for the information and use of OGB and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to the appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

KSH:BH:EFS:THC:dl

OGB 2010

BUDGETARY COMPARISON SCHEDULE

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UNAUDITED

**ANCILLARY FUNDS
AGENCY 800 - OFFICE OF GROUP BENEFITS**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund:					
Self-generated	\$1,769,466,345	\$405,478	\$1,769,871,823	\$1,263,662,366	\$506,209,457
Interagency transfers				391,249	(391,249)
Total Appropriated Revenues	<u>\$1,769,466,345</u>	<u>\$405,478</u>	<u>\$1,769,871,823</u>	<u>\$1,264,053,615</u>	<u>\$505,818,208</u>

APPROPRIATED EXPENDITURES:

	STATE GROUP BENEFITS
Salaries	\$16,223,573
Other compensation	992,152
Related benefits	5,472,500
Travel & training	109,438
Operating services	5,989,038
Supplies	185,642
Professional services	8,754,999
Other charges	1,198,935,267
Capital outlay	212,923
Interagency transfers	<u>1,444,234</u>
Total appropriated expenditures before adjustments	1,238,319,766
Agency adjustments	<u>(8,149,482)</u>
Total Appropriated Expenditures	1,230,170,284
Revised Budget	<u>1,264,053,615</u>
Variance Favorable (Unfavorable)	<u>\$33,883,331</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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