

OFFICE OF RISK MANAGEMENT
DIVISION OF ADMINISTRATION
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 5, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 5, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. J.S. "Bud" Thompson, Jr., State Risk Director,
Office of Risk Management

Dear Senator Alario, Representative Kleckley, and Mr. Thompson:

This report includes the results of the procedures we performed at the Office of Risk Management (ORM) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of ORM for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ARW:CRV:BQD:THC:aa

ORM 2014

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Office of Risk Management

November 2014



Audit Control # 80140088

Introduction

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we performed procedures at the Office of Risk Management (ORM) to provide assurances on financial information that is significant to the state's financial statements; to evaluate the effectiveness of ORM's internal controls over financial reporting and compliance; and to determine whether ORM complied with applicable laws and regulations.

ORM is an agency within the state reporting entity, created within the Division of Administration. The agency's mission is to develop, direct, achieve, and administer a cost-effective comprehensive risk management program for all agencies, boards and commissions of the state of Louisiana, and for any other entity for which the state has an equity interest, in order to preserve and protect the assets of the state of Louisiana.

Results of Our Procedures

Financial Statements – State of Louisiana

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we considered ORM's internal controls over financial reporting and examined evidence supporting ORM's current and long-term claims liability, claims and litigation handled by ORM, annuities, and claims liability for state risk programs. Our audit included tests of ORM's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or non-compliance with laws or regulations. In addition, the account balances and classes of transactions tested are materially correct.

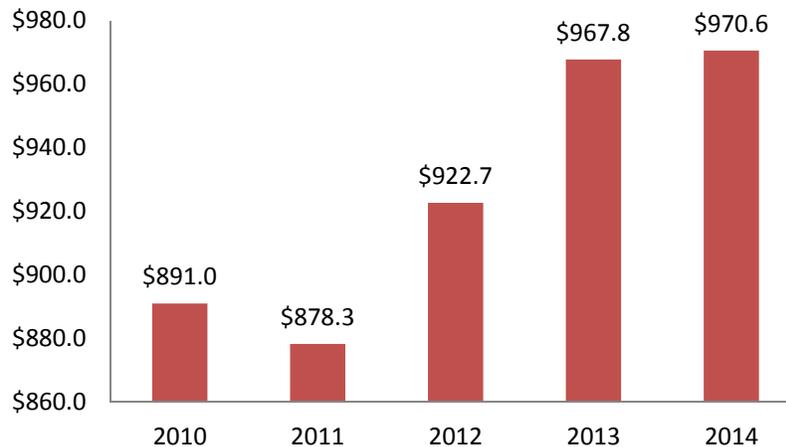
Trend Analysis

We compared the most current- and prior-year financial activity using ORM's annual fiscal reports and/or system-generated reports and obtained explanations from ORM management for

any significant variances. We also prepared an analysis of the estimated claims liability and a split of those total net reserve balances by line of insurance over the last five years.

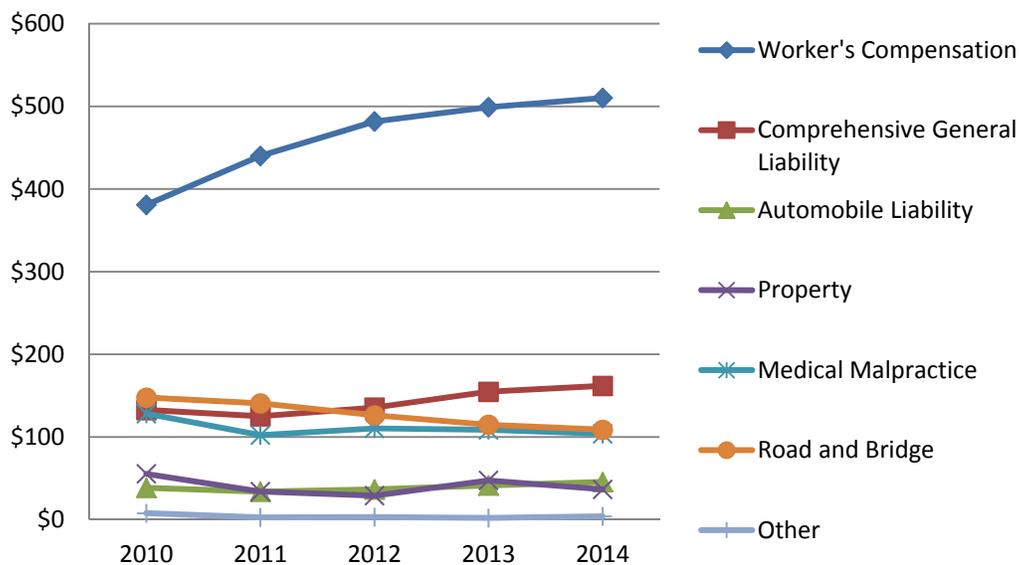
In analyzing financial trends of ORM over the past five years, the total estimated claims liability increased by \$79.6 million, or 9%, mainly resulting from a 34% increase in the estimated liability for workers' compensation claims.

Exhibit 1
Estimated Claims Liability (in millions)



Source: Fiscal Year 2010–2014 ORM Audited Annual Financial Reports

Exhibit 2
Total Net Reserves by Line of Insurance, 2010-2014 (in millions)



Source: Fiscal Year 2010–2014 ORM Schedule of Reserves

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Risk Management (ORM) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the state of Louisiana's financial statements and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's financial statements for the fiscal year ended June 30, 2014.

- We evaluated ORM's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to ORM.
- Based on the documentation of ORM's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on ORM's account balances and classes of transactions to support the opinion on the state of Louisiana's financial statements.
- We compared the most current- and prior-year financial activity using ORM's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from ORM management for significant variances.

The purpose of this report is solely to describe the scope of our work at ORM and not to provide an opinion on the effectiveness of ORM's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purposes.

We did not audit or review ORM's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. ORM's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.