



Report Highlights

Office of Group Benefits

Division of Administration

DARYL G. PURPERA,
CPA, CFE

Audit Control # 80150116
Financial Audit Services • December 2015

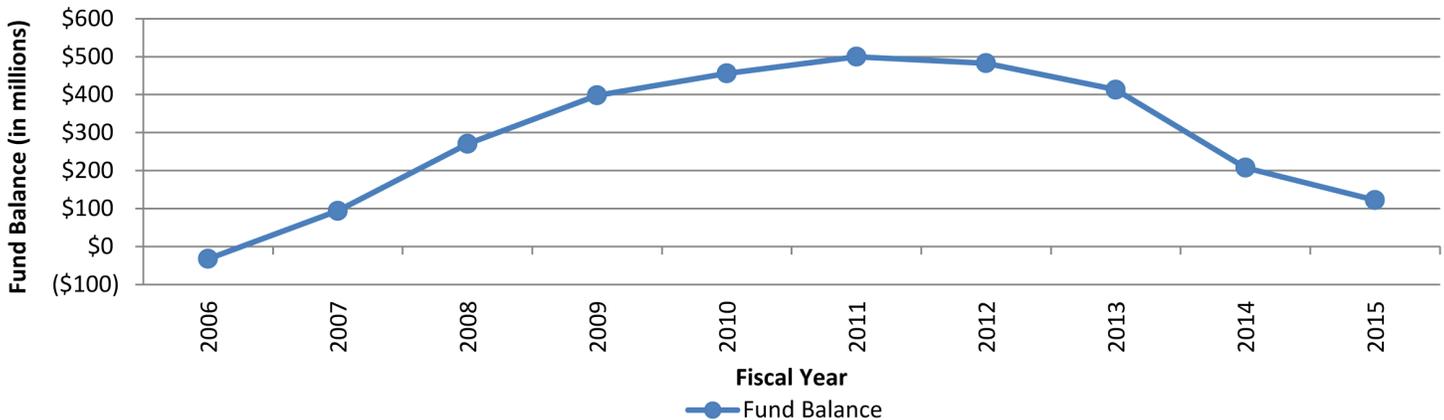
Why We Conducted This Audit

We performed certain procedures at the Office of Group Benefits (OGB) as a part of the audit of the state's Comprehensive Annual Financial Report and to evaluate OGB's accountability over public funds for the period July 1, 2014, through June 30, 2015.

What We Found

- OGB did not have an approved contract with the vendor responsible for administering its flexible spending and COBRA plans for six months during fiscal year 2015. The initial one-year, \$600,000 contract with Discovery Benefits, Inc. was effective January 1, 2015, but was not signed by OGB until June 4, 2015, or approved by the Office of State Procurement until July 15, 2015.
- Financial information relating to the following accounts was materially correct: revenues, health claims expenditures, drug claims expenditures, and other postemployment benefits disclosures. Except as noted above, we did not report any internal control deficiencies or noncompliance with laws or regulations.
- The OGB fund balance is the accumulation of the surplus or deficit of revenues minus expenses over time and includes incurred but not reported claims. From a peak of \$500 million in fiscal year 2011, OGB's fund balance dropped to \$207 million as of June 30, 2014, primarily as a result of premium decreases in fiscal years 2012 and 2013 when health care cost trends were increasing. Based on health plan changes and rate increases, the fund balance at June 30, 2015, was \$122 million and is actuarially projected to further stabilize during fiscal year 2016. The chart below shows the changes in OGB's fund balance for the last 10 fiscal years:

Fund Balance - 10 Years



Source: OGB Annual Fiscal Reports, as adjusted

View the full report, including management's response, at www.la.gov.