

OFFICE OF GROUP BENEFITS
DIVISION OF ADMINISTRATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JANUARY 9, 2013

**LOUISIANA 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 Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$3.92. 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. 80120022 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain procedures at the Office of Group Benefits (OGB) to evaluate its accountability over public funds for the fiscal year ended June 30, 2012. We evaluated controls over compliance and financial reporting relating to long-term payables, revenues, health claim expenditures, drug claim expenditures, and postemployment benefits. Our procedures disclosed the following:

- Financial information relating to these accounts was fairly presented.
- Internal control related to these accounts, based on the sample items we tested, was operating effectively, and OGB complied with related laws and regulations.
- We examined financial trends in accounts to look for unusual changes that did not follow logical patterns. We compared the current and prior year financial information and determined the changes in accounts to be reasonable.
- We also analyzed the changes in OGB's fund balance for the past five years. The fund balance is a reserve for situations where health claims exceed premiums collected. We observed that the OGB fund balance increased from \$271 million in fiscal year 2008 to nearly \$500 million in fiscal year 2011, before dipping slightly to \$483 million in fiscal year 2012.

On August 24, 2011, we issued an informational report on the proposed privatization of OGB, which is available on our website at www.lla.la.gov. During fiscal year 2012, the Division of Administration awarded a contract to Blue Cross/Blue Shield of Louisiana for the Preferred Provider Organization and Health Maintenance Organization plans. The contract was signed in July 2012 and was approved by the House Appropriations and Senate Finance Committees in November 2012. Effective January 1, 2013, OGB will no longer administer any health insurance plans.

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.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 17, 2012

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

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at the Office of Group Benefits (OGB) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of OGB'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 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's management for any significant variances. We also analyzed the changes in OGB's fund balance for the past five years.
- Our auditors considered internal control over financial reporting and examined evidence supporting OGB's estimated liabilities for claims incurred but not received, processed, or paid as of year-end; revenues; health claims expenditures; drug claims expenditures; and disclosure components for other postemployment benefits other than pensions. We also 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 our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

The Annual Fiscal Reports of OGB were not audited or reviewed by us, and, accordingly, we do not express opinions on those reports. 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 the procedures referred to previously, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures that should be communicated to management.

This letter is intended for the information and use of OGB and its management, others within the entity, the Division of Administration, 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 appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

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