

OFFICE OF GROUP BENEFITS  
DIVISION OF ADMINISTRATION

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 20, 2017

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Office of Group Benefits

December 2017

Audit Control # 80170097

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## Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, we performed procedures at the Office of Group Benefits (OGB) to provide assurances on financial information that is significant to the State's CAFR; evaluate the effectiveness of OGB's internal control over financial reporting and compliance; and determine whether OGB complied with applicable laws and regulations.

OGB is authorized by law to provide health, accident, and life insurance to both active and retired State employees, as defined in Louisiana Revised Statute (R.S.) 42:808, and their dependents.

## Results of Our Procedures

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### Comprehensive Annual Financial Report - State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2017, we considered internal control over financial reporting and examined evidence supporting premium revenues, health claim expenditures, drug claim expenditures, and other postemployment benefits disclosures.

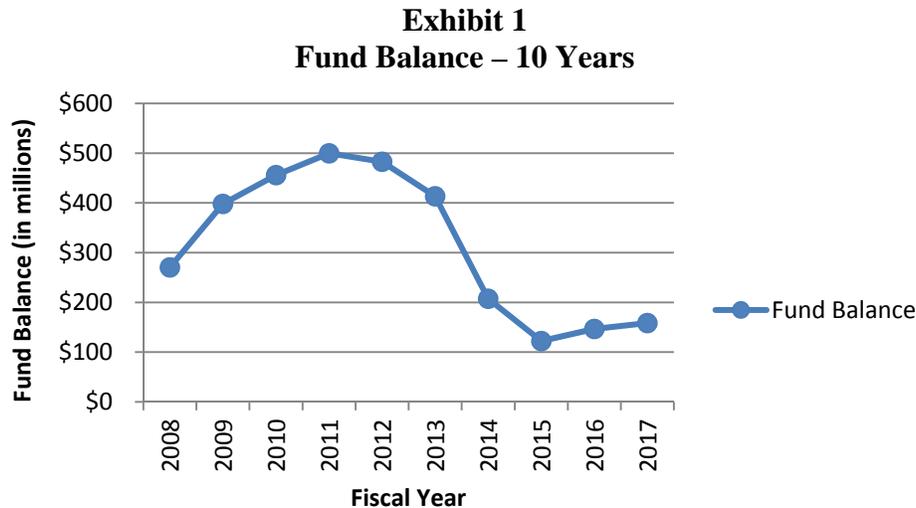
Based on the results of these procedures, we did not report any internal control deficiencies or noncompliance with laws or regulations. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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### Trend Analysis

We compared 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 prepared an analysis of OGB's fund balance for the 10 years ending June 30, 2017.

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 \$122 million as of June 30, 2015, primarily as a result of premium decreases in fiscal years 2012 and 2013 when health care cost trends were increasing. Due to health plan changes and rate increases over the last few years, the fund balance at June 30, 2017, increased to \$159 million falling within OGB's estimated target range of \$137 million to \$229 million. The fund balance is actuarially projected to further stabilize during fiscal year 2018. The chart below shows the changes in OGB's fund balance for the last 10 fiscal years:



**Source:** OGB Annual Fiscal Reports, as adjusted

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

SC:DM:BH:EFS:aa

OGB 2017

## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Group Benefits (OGB) for the period from July 1, 2016, through June 30, 2017, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR), 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, 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 CAFR for the year ended June 30, 2017.

- We evaluated 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.
- Based on the documentation of OGB's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the CAFR.
- We compared the most current and prior-year financial activity using OGB's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OGB's management for significant variances.

The purpose of this report is solely to describe the scope of our work at OGB, and not to provide an opinion on the effectiveness of OGB'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 OGB's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. OGB's accounts are an integral part of the State of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.