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To: The Honorable Jay Musleh, President of the Council
The Honorable James Hilty, President Pro Tem
The Honorable Brent Malever
The Honorable John McLeod
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
John Zobler, City Manager

Date: March 23, 2015

Re: External Audit Assistance - Pension - Employee Retirement Plans

Internal Audit assisted the external financial auditors, Purvis Gray and Company, LLP, with the Fiscal Year 2014 Financial Audit procedures for Pension/Employee Retirement Plans. The objectives were to ensure pensioners were eligible for benefits in compliance with the Code of Ordinances, information provided to the actuaries to calculate benefit payments was accurate, benefit payment transactions were properly recorded in the financial records, and to review the controls over the retirement system benefit process. Employee Retirement payments for Fiscal Year 2014 totaled \$22.6 million (General- \$12.3 million, Fire- \$3.8 million, and Police \$6.5 million).

We selected 43 retirement benefit payments for testing. This includes all benefit payments initiated to retirees in the fiscal year. We examined and verified all information provided to the actuary for calculating the benefit as well as documentation to support eligibility and pensioner selection of benefit payment option. We recalculated gross payments, taxes, and net pay and validated transactions were appropriately recorded in the City's financial records.

For this fiscal year, we also verified each payee's social security number and birth date with the Social Security Administration to validate the information on file and to assure the existence of the payee.

Based upon our procedures, we concluded that in accordance with the Code of Ordinances for Pension for General Employees, Fire, and Police that only eligible pensioners or designated beneficiaries received benefits and retirement expenditures are appropriately reflected in the City's financial records.

We discussed with Management opportunities to strengthen internal controls over the City's software data entry process to ensure accuracy of the information provided to the actuary and reported to the Internal Revenue Service.

We appreciate the assistance of all personnel involved in the retirement system process, especially Alicia Gaither, Pension Manager.

Generally Accepted Government Auditing Standards and the Institute of Internal Auditors Standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our observations and conclusions.

Handwritten signature of S. KaRhonda Leslie in blue ink.

S. KaRhonda Leslie, Assistant Internal Auditor

Handwritten signature of Jeanne Covington in blue ink.

Jeanne Covington, Internal City Auditor

c: Diane Reichard, Assistant City Manager and CFO