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To: The Honorable Mary Sue Rich, President of the Council
The Honorable John McLeod, President Pro Tem
The Honorable Suzy Heinbockel
The Honorable Jay Musleh
The Honorable Daniel Owen
The Honorable Kent Guinn, Mayor
Matthew Brower, City Manager

Date: October 31, 2013

Re: External Audit Assistance – Pension - Employee Retirement System

Internal Audit assists the external financial auditors, Purvis Gray and Company, LLP, with specific audit procedures for the Financial Statement Audit for the Fiscal Year Ending September 30, 2013. We have completed procedures for Pension/Employee Retirement System. The objectives were to ensure pensioners were eligible for benefits in compliance with the Code of Ordinance, benefit payments are accurately calculated, benefit payment transactions are properly recorded in the financial records, and to review the controls over the retirement system benefit process. For Fiscal Year 2013, gross benefit payments paid through Employee Retirement System totaled \$ 19.8 million (General - \$ 12.3 million, Fire - \$ 3 million, and Police - \$ 4.5 million).

We selected 40 retirement system benefit payments for testing. We examined the documentation demonstrating pensioner eligibility including wages used as a basis for calculating benefit payments and pensioner selection of benefit payment option. We recalculated gross payments, taxes, and net pay of benefit payments. We validated that each transaction was appropriately recorded in the City's financial records.

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 were receiving benefits and retirement system expenditures are appropriately reflected in the City's financial records.

We discussed with Management opportunities to strengthen internal controls over the calculation of average final compensation and the election of benefits to ensure accuracy.

We appreciate the assistance of all personnel involved in the retirement system process, especially Alicia Gaither, Pension Benefits Coordinator, and Hope Maynard, Benefits Specialist.

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, Audit Specialist

Handwritten signature of Jeanne Covington in blue ink.

Jeanne Covington, Internal City Auditor

c: Diane Reichard, Assistant City Manager and CFO
Sandra Wilson, Assistant City Manager, Support Services
Mary Ann Davis, Finance Director