Find your place

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

Date: January 22, 2013

Re: External Audit Assistance – Pension

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, 2012. 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 2012, gross benefit payments paid through the retirement system totaled $16.2 million (General - $10.4M, Fire - $2.0M, and Police $3.8M).

We selected 25 retirement system benefit payments for testing. We examined the documentation demonstrating pensioner eligibility including wages used as a basis for calculating benefit payments and selection of benefit payment option. We recalculated gross, taxes, and net pay of benefit payments including all applicable cost of living increases. We validated that each transaction was appropriately recorded in the City's general ledger.

Based upon our procedures, we concluded that pensioner eligibility for benefits was in accordance with Code of Ordinance for General, Firefighters' and Police Officers retirement systems, only eligible pensioners were receiving benefits, and retirement system expenditures are appropriately reflected in the City's financial records.

IA and management are exploring the opportunities to strengthen internal controls for increased accuracy of calculation of average final compensation, election of deductions, and authorization of federal tax withholding allowances.

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.

S. KaRhonda Leslie

S. KaRhonda Leslie, Audit Specialist

Jeanne Covington

Jeanne Covington, Internal City Auditor

c: John Lege, Chief Financial Officer
Sandra Wilson, Chief of Staff, Support Services
Mary Ann Davis, Controller