

**City of Shreveport  
Internal Audit Office  
Limited Scope Performance Audit (IAR) 050014-06**

**Date:** December 31, 2014

**To:** Charles J. Madden  
Finance Director

**Subject:** **Inadequate Controls over Retirement Systems Data and Reporting**

**Introduction**

The Internal Audit Office has completed a limited scope performance audit of certain transactions and reports conducted and prepared by the Finance Department's Pension Office. Our work resulted from an anonymous complaint received on the City's **Fraud Hotline** alleging that the City's Pension Manager submits reports late and with errors. Our objective in this limited scope performance audit was to ascertain the accuracy of these concerns.

The methodology used included interviewing the Finance Director and reviewing the wire transfers initiated by the Pension Manager during the period November 1, 2013 thru March 31, 2014. These transfers were principally to the Municipal Police Employees Retirement System, the Firefighters Retirement System, the Police Credit Union, TransAmerica Life Insurance, and State Street Bank, and were supported by copies of the reports or invoices supporting the amounts of the transfers. Our limited scope performance audit was conducted in accordance with generally accepted government auditing standards, except that a peer review has not been performed, and included such tests of procedures and controls as considered appropriate. We believe the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations, based on our limited audit scope objectives.

**Background**

The Finance Department's Pension Office is responsible for preparation and submission of two monthly reports for employees of the City's Police Department and one monthly report for employees of the City's Fire Department. The reports for the Police Department go to the Municipal Police Employees Retirement System (MPERS) and the Police Credit Union respectively. The report for the Fire Department goes to the Firefighters Retirement System. The Pension Office is also responsible for verifying and approving the annual invoices for both departments' group life insurance premiums and initiating the wire transfers to TransAmerica Life Insurance in payment of the premiums. Some employees of these departments are members of military reserve units, subject to activation from time to time. Upon their return from this service, they may buy the time they missed during active duty by making a payment to the appropriate retirement system through the Pension Office.



The reports and payments for the Police Department employees are both due on the 10<sup>th</sup> of the month for the previous month's employee deductions and employer matches, while the report for the Fire Department Employees is due on the 20<sup>th</sup> of the month for the previous month's employee deductions and employer matches.

The employees of the Caddo-Shreveport Sales and Use Tax Commission and the Caddo-Bossier Office of Homeland Security are members of the City Employee Retirement System, and the Pension Office is responsible for forwarding those employee contributions and employer matches to the Employee Retirement System depository. We were unable to determine that a specific due date exists for the transfer of the deductions and matches received from these other agencies.

The Pension Office initiates the wire transfers for the funds due with each of the reports described above. The documentation accompanying the wire transfer initiation includes a copy of the report or invoice that substantiates the amount of the transfer. Due dates for transmission of the funds are the dates listed in the previous paragraphs.

### **Criteria**

Reports and funds due the various retirement and other accounts should be delivered timely and without error in order that employees' accounts can be properly credited.

### **Condition**

#### **Timeliness:**

- Of the fifteen monthly reports reviewed, eight were issued or paid late; i.e., one or more days beyond the due date.
- There were two payments processed for time purchased by employees on leave to the military. The documents supporting the wire initiation did not provide specific dates of service or for receipt of the payment of the funds, precluding a determination of their timeliness. One of these purchases was on behalf of a firefighter and was paid to the Firefighters Retirement System on November 18, 2013, while the other purchase was on behalf of a police officer and was paid to MPERS on March 20, 2014.
- Three wire transfers were untimely paid to the depository for the Employees Retirement System for funds received from other agencies and other miscellaneous receipts. Some of these funds were received and deposited in the City's bank account as early as November 21, 2013, based on receipt documents from the City Cashier office supporting the amounts of the wire initiation, and were left idle until the wire transfers on January 15, 2014.



**Errors:**

- Two of the retirement reports submitted to MPERS contained adjustments for employees omitted from the preprinted report. The first report, due November 10, 2013, listed the employees omitted and the adjustment amount for each employee which balanced to the total adjustment. This report was timely filed and paid. The second report, due December 10, 2013, listed two employees and the amount for each of them which failed to balance with the total adjustment by \$2,034.42. This report would not have balanced when it arrived at the State Agency. There is no indication as to when and how the report was ultimately corrected. This report was not timely filed or paid.
- The annual life insurance premium was omitted for one fireman, and remitted on a separate wire transfer. This apparently resulted from the employee's name and premium amount being omitted from the insurance company billing, but was not detected in the review of the billing prior to payment.

**Effect**

Funds are not received and posted timely to employees' accounts and do not earn additional funds during the periods they are late. Errors in reports may result in them being returned for correction, again delaying the posting to employee's accounts. All these effects might diminish employee morale, and might result in challenges to the City's efficiency in its handling of these funds.

**Cause**

Management Oversight.

**Recommendations**

The Finance Director should review with the Pension Manager these issues, covering specifically the pattern of late reports, the need for timeliness and accuracy in the preparation, filing and funding of the reports, and an action plan to improve both reporting performance and timeliness. The Finance Director should also establish policies and procedures ensuring the timeliness of reporting and funding.

**Management Response**

Management will review findings with Pension Manager to make sure reports are filed in timely manner in future. Management will also verify that transfers are done in timely manner once they are completed and recorded. With new systems that have been installed in recent years all policies and procedures need to be reevaluated to make sure that all are up to date and relevant to current practices being used.



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