

Internal Audit Report 2015-01
St. Louis County – Department of Administration
Personnel - Pension Benefits
July 28, 2015
Final Audit Report

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	Audit Report Number 2015-01

TO: The Honorable Pat Dolan – County Council
The Honorable Steven V. Stenger, County Executive
Pam Reitz, Director of Administration
Kirk McCarley, Personnel Director

FROM: David Makarewicz, CISA, St. Louis County Auditor

SUBJECT: Final Audit Report
St. Louis County – Department of Administration – Personnel Division
Pension Benefits - Audit 2015-01

DATE: July 28, 2015

EXECUTIVE SUMMARY

The St. Louis County Audit Department performed an audit of aspects of Pension Benefits administration. The audit was started December 4, 2014. Fieldwork for the review was completed on April 30, 2015. We monitored work performed by Personnel management and staff to address control weaknesses noted after our audit field work was completed. This included changes to individual personnel records used in the computation of the County's annual pension liability and for computation of individual benefits. This is the final audit report based on the results of our review.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The objectives of the review were to evaluate internal controls, evaluate operations and record-keeping compared to established standards, ordinance, policies and procedures. We evaluated processes are in place to help ensure that resources are used efficiently.

The scope of this audit focused on the management and administration of record-keeping for employee wage, demographic and pension eligibility data. This data is hosted within the Human Resources and Payroll modules in MUNIS. The audit focused on the origination, processing and use of this data by several divisions within the Department of Administration, an Actuary and the County's external auditors.

The audit was prompted by results of three prior, annual, external audits of pension plan financial statements. During these audits, the County's external auditors (Kerber, Eck & Braeckel, LLP) sampled pension census data to verify the reliability of the data. The external auditors had reported a "significant deficiency" in internal control due to the number of errors found within their sampling. A "significant deficiency" is defined within auditing standards as "less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the organization's financial reporting".

While the individual errors found were corrected, their testing indicated a need for additional audit work to better quantify the number of errors in the whole population and to attempt to determine the source of the errors. We reviewed the entire population of data, to identify groups of records which were more likely to have errors, so they could be corrected at their source. Audit steps were designed to test the accuracy of pension eligibility data origination and reporting. Our goal was error identification and long term error reduction within data used to compute pension benefit amounts. We are also tracking records where historical information was checked and validated so that those records do not have to be re-checked in future years.

- The Auditor's Office reviewed data collection for actuarial calculations and reporting. We reviewed the methods used to collect, validate and report information used in the "pension census". This pension census is prepared annually. It shows the composition of the County's workforce and includes data such as the

hire date, pension participation date, and wages, which are broken down by the type of wage or wage code. The data is provided annually to an Actuary who computes St. Louis County’s annual pension liability.

- The Auditor’s Office tested samples of employee records. We also performed data validation steps for specific data fields within the entire population of employee records. We reviewed the use of this same data as it is used for calculation of individual employees’ benefits.
- We reviewed the use of this same data as it is used for calculation of individual employees’ benefits.
- We reviewed the internal control environment surrounding these activities. We evaluated the effectiveness, efficiency and accuracy of pension benefit processing and reporting. We review operations for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures.

Several aspects of the creation and reporting of the pension census can present challenges:

- Data on newly hired employees comes from managers within a cross section of County departments. The hiring managers might not be aware of rules and requirements within ordinances for establishing the pension participation date for newly hired employees. The pension participation date for civilian, full time employees should be set to first day of the month closest to the hire date. If set correctly, pension participation date for an eligible full time employee will typically be within sixteen days of their hire date.
- If an employee is hired initially as a part time employee and subsequently becomes a full time employee, their pension participation date may be set correctly to a date that is much later than their hire date. The record within the pension census is indistinguishable from a full time employee whose pension participation date was set in error. Based on the data reported from the MUNIS system and the pension census, there are currently no simple or effective methods in place to differentiate between a part time employee who converts to full time employment and a full time employee whose pension participation was set in error.

An example may help clarify the setting of pension participation dates. If you assume three employees are all hired on January 10th:

- The first employee starts work on January 10th as a full time employee. This employee’s pension participation date as January 1st. This would be correct.
- The second employee starts work as a part time employee and converts to full time status on February 5th. This employee’s participation date is set as February 1st. This would be correct.
- The third employee starts work on January 10th as a full time employee. This employee’s pension participation date is set as February 1st. This would be an error. This employee’s pension service would be under-reported by one month.

The data for these three employees would be reported as follows:

<u>Employee</u>	<u>Hire Date</u>	<u>Pension Participation Date</u>	<u>Starts Work As:</u>
Employee 1	January 10 th	January 1 st	Full Time Employee
Employee 2	January 10 th	February 1 st	Part Time Employee
Employee 3	January 10 th	February 1 st (Error)	Full Time Employee

- The under-reporting of a single month of eligible service can translate into a reduction of lifetime pension benefits, if the error is not caught, when the data is reviewed upon the retirement of the employee. However, the data is reviewed for accuracy well before the retirement benefit is actually paid out.
- Records of employment history used for pension calculations must be able to account for gaps, or periods of part time employment, if any, within an employee’s service. This is difficult to do without use of additional fields such as a “counter” that can be incremented for each month of full time service.

- The steps needed to provide data to the Actuary to compute the pension liability require input from several divisions. Data is added and validated by different groups in a linear fashion. If an error is found at a “downstream” portion of the process it can be easy to compensate for the error within spreadsheets or reporting, but it may be more difficult to correct errors at their source. It is currently possible to adjust reporting, adjust a model or compensate for a reported error in a spreadsheet, without correcting the underlying Payroll or Personnel records.
- The perspective of each group involved in managing or using this data is different. For example, a group of errors might not be material when computing the County’s overall pension liability. However, an error within an individual’s employment history may be significant when computing that employee’s retirement benefits. An error that underreports an employee’s eligibility by a single month changes the amount of that employee’s lifetime monthly pension benefit payment. An error of one month may reduce or increase monthly benefits for a typical employee by \$5 to \$10 per month.
- The County uses terminology that may contribute to confusion, because the terminology is not always well-defined or documented. For example, employees may be listed on reports as “Termed Employees”. This indicates that the term of the employee’s employment is limited based on a grant or funding. When listed without explanation, this can be confused with “Terminated Employees”, who are listed on the same report.

As part of every audit, we review policies, procedures and methods used for communicating information. We reviewed the internet and intranet sites for the Personnel function. This work included a review of the contents of the Personnel Division’s website and intranet site. We focused on documentation of pension benefits and documentation of rules and procedures for computing benefits. We reviewed aspects of communication of information such as the posting of Retirement board meeting agendas, minutes, explanations of benefit computations, email links and processes in place for retirement benefits. We also reviewed this information for other boards tied to the Personnel function.

OPINION

In our opinion:

- Internal controls over the establishment of pension participation dates on individual employee records needed to be improved. We noted several deficiencies in internal controls with respect to setting pension participation dates. A significant amount of the discrepancies noted are from the 2008-2009 time frame. The County converted payroll systems during this period.
- We recommended a detailed review of approximately 443 records to confirm whether the data within them was correct. This was a smaller subset of 4,034 records on the file. We listed records where the pension participation dates had not been set according to the convention stated within ordinance. Separate listings were prepared. We grouped listings of records which might have contained similar errors. These listings were forwarded to the Personnel Director for review and correction. The Personnel Director and his staff reviewed these records, validated the information and corrected errors noted during the audit.
- Not all of these records contained errors, however, the errors that were found were corrected. For example:
 - Within one listing of fifty-two employee records that we provided, the pension participation dates on thirteen employee records were confirmed to be in error.
 - Within one listing we provided that listed a single hire date exception, the hire date on that one employee record was confirmed to be in error. (The year of hire was incorrect.)
- We noted incorrect reporting of pension participation dates by a query that has been used annually to build the pension census. This query reported incorrect dates for fifty-five employees and understated these employee’s pension service by an aggregate total of 5,881 months. **This query was corrected during the audit.** Here, the data was correct, but the query was reporting the wrong date for the pension participation date.

- As these exceptions were checked, validated, corrected and tracked, the effort required to validate this data in the future can likely be reduced. A reduction in the number of errors reduces the effort needed to validate the data by staff within Payroll and Fiscal Management. The Actuary will also have less work required to compensate for these errors. The extent of sampling and testing by external auditors may be reduced in the future.
- We also noted a lack of documentation for the correct treatment of unusual wages with respect to pension eligibility. There is a need for more explicit documentation of the handling of unusual wages, such as back pay, worker's compensation pay and various types of leave. Wage amounts reported under different wage codes may be used or reported differently if used to adjust pay, report earnings for tax purposes or to report pension eligible wages. Better documentation needs to be in place to ensure that the more exceptional transactions are handled correctly. Additional documentation would improve the quality of downstream checking performed.

CONCLUSIONS:

We believe that the more significant findings we noted in this report resulted originally from the lack of written documentation about processes. This is being addressed. Specific examples cited in the body of the report may help clarify this aspect of our audit opinion and conclusions. We have concluded the following:

- A single reporting error understated the accrued service of 55 employees by an aggregate total of 5,881 months. The query used to build the pension census contained a logic error, which was corrected during the audit. The date of a transaction that was entered in December of 2008 was being reported incorrectly as the pension participation date for 55 current employees. The underlying data was correct but pension participation dates were reported incorrectly. The County's Actuary compensated for this reporting error in his model used for computing pension liability based on 2013 year end data. This reporting error may have understated pension service in the pension census, in prior years. **The query used to build the pension census contained a logic error, which was corrected during the audit.**

Most of these records are part time employees who converted to full time employment or employees with gaps in service. However, within this group there were also records with incorrect dates.

We recommended that these records be checked by the Personnel function during the audit. They were checked during the audit.

The number of records with errors would not have been material for the computation of the pension liability. However, the existence of a single error, if not found and corrected, could have a bearing on the amount of monthly pension benefits paid upon the retirement of a County employee participating in a retirement plan, if not caught when the employee's pension benefit calculation is calculated.

- Within a population of 4,034 records, we identified the following:

<u>Type of Exception</u>	<u>Possible Errors Identified</u>	<u>Errors Confirmed</u>	<u>Net Result</u>
Hire Date Exception	1	1	One incorrect hire was corrected. There was no change in accrued pension eligible service.
Participation Date (Within 90 days of hire date.)	52	13	Thirteen pension participation date errors were corrected. Four employees lost at least one month of service. There was no change in service for seven employees whose records were corrected. Two employees gained one month of service.
Participation Date (Pension Part date not set.)	8	3	Five of these records were Police Officers who switched plans to the Civilian Plan. Their pension participation date remains as they were originally

set. Pension participation dates were set (corrected) for three Civilian employees with no change in pension service.

Participation Date (More than 90 days from hire date.)	377	11	Within 300 of these records there were 11 participation dates that were corrected. (The remaining records are being reviewed.)
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- Better mechanisms need to put into place to validate the data upon entry or programmatically or by looking at the relationship between key data fields and to validate data values that are “outliers”. Errors can be isolated by checking differences between key dates.
- It has been difficult to quantify the overall impact of these errors. We are reasonably confident that St. Louis County’s Actuary adjusted their data to compensate for these errors in the pension census when computing the pension liability for St. Louis County in 2013. **The Actuary compensated for certain reporting errors in the data provided by adjusting their model of the data.** The calculation of the pension liability was performed in 2013 based on their adjusted data. We are checking to ensure that records reported by the query that were incorrectly are being reported correctly within the 2014 data and year end 2015 data. There may still be errors in the data that have not been corrected.
- As of the conclusion of the audit, there remained unanswered questions about the correct handling of several types of unusual wages. These are exceptional cases, involving worker’s compensation claims, back pay, medical leave, military leave or the combination of different types of unusual pay. They are small in number and happen infrequently. However, there is a lack of reliable documentation such as board minutes or approved written procedures to ensure that employees who are charged with checking computations based on the correct inclusion or exclusion of pension eligible wages. The amounts of wages paid under these more exceptional wage codes are very small in proportion to total wages. We have recommended that these remaining questions be reviewed and clarified by the Retirement Board and the Personnel function.

Overall, the “detective control” processes for the identification of errors are working. There needed to be improvement in the corresponding “corrective controls”. Our findings mirror findings noted and reported by the County’s external auditors in their most recent audit. We have made recommendations that will lower the error rate within the pension census and lessen the amount of work required to accurately compute or validate individual pension computations.

The results of the audit as measured against the audit objectives within a summary near the end of this report. (**See the Assessment of Controls at the end of this report.**) Most of the audit recommendations were addressed during the audit as noted in the body of the report.

This audit required assistance and cooperation from individuals who assemble pension data and reports:

- Kirk McCarley – Personnel Director,
- Sue Kane – Manager, Retirement & Benefits,
- Don Rode – Chief Accounting Officer,
- Holly Wilkinson – Payroll Manager,
- Pam Valenti – Accountant III – Fiscal Management,
- Joan Lafferty – CAPS Manager,
- Mike Duncan – Chief Information Officer,
- Brian Fagnani – Web Content Coordinator.

Stephen Siepman – Principal of Buck Consultants re-examined a small number of employee records to determine if their eligibility and wage data was used correctly in actuarial computations performed by Buck Consultants. This audit also relied on the detail of prior external audit testing results provided by Rick Gratza – Partner of Kerber, Eck & Braeckel LLP. Board members of the St. Louis County Retirement Board of Trustees were provided updates on the audit findings during audit field work.

KEY FINDINGS:

Policies

We recommended that the Personnel Director and Manager of Retirement & Benefits develop a more complete set of policies with the table of content that reflects key tasks performed by the Benefits and Retirement function.

We recommend that the Personnel Director and Manager of Retirement & Benefits develop new written policies with respect to:

- responsibility for the identification and correction of non-conforming pension participation dates,
- proper treatment of worker's compensation claims adjustment and back pay within the pension census,
- the transfer of employees between plans,
- proper treatment of worker's compensation claims adjustments and back pay when computing pension benefits,
- expanding and formalizing the documentation for setting pension participation dates.

We recommended that a uniform format be use for Personnel policies and procedures that includes a manifest (date created, date updated, date approved, who approved the policy, and references to related subjects).

(See Section I.)

Procedures

We recommended that the Personnel Director and Manager of Retirement & Benefits develop additional task-based documentation to address:

- steps required to run the pension census query,
- subsequent steps taken to review, correct or revise the contents of the pension census report.

This documentation should include explicit instructions on how to:

- review the population of employees to identify non-conforming pension participation date,
- set the pension participation date within MUNIS,
- correct a non-conforming or incorrect pension participation dates,
- transfer employees between the civilian and police pension plans,
- treat worker's compensation claims adjustments, back pay, military leave and medical leave when preparing the pension census report,
- treat worker's compensation claims adjustments, back pay, military leave and medical leave when unusual pay is included within the 36 month period of employment, that is used for computation of retirement benefit amounts.

We recommend that a uniform format be used for policies and procedures that includes a manifest (date created, date updated, date approved, who approved the policy, and references to related subjects).

(See Section II.)

Staff Directory

We recommended that the Personnel Director ensure that the name entries listed in our finding be updated and that the Telcom Coordinator for Personnel functions regularly review the Staff Directory for error and omissions.

(See Section III.)

Telecom Coordinators

We recommended that the Telecommunication Division send out validation request emails to all of the Telecom Coordinators and department directors on annual basis. This will insure the accuracy of the list and will keep the Directors informed on other functions that are occurring in their department. We further recommend that the

validation requests include the reminder that the Coordinators should check the staff directory for their department or division.

(See Section IV.)

Internet Web Site

We recommended that the Personnel Director and Website Designer review and update their external website on a semi-annual basis.

We recommended that the Personnel Director and Director of Administration review and update documents that are posted for the benefit of the public. This will help ensure that website users see documents and forms that are current and accurate.

(See Section V.)

Intranet Web Site

We recommended that the Personnel Director and Website Designer review and update their website on a semi-annual basis.

We recommended that the Personnel Director and Director of Administration review and update documents that are posted on the website. This will help ensure that internal website users see documents and forms that are current and accurate.

(See Section VI.)

Control Narratives

We recommended that the Personnel Director obtain a clarification from the full Pension Board with respect to specific aspects of computing pension eligible wages for worker's compensation paid in lieu of salary, back pay resulting from settlement of a wage dispute and payments made for certain kinds of leave.

We recommend that the Personnel Director ensure that control documentation is supplemented to clarify these subjects:

- There should be rules or guidance for setting the pension participation date for an individual who transfers from the civilian to the police pension plan or vice versa,
- There should be guidance on the proper inclusion or exclusion in pension eligible wages of payments made from worker's compensation, in lieu of salary included in pension eligible wages both for the purpose of computing the actuarial liability and for computing retirement pay amounts.
- There should be guidance on the proper inclusion or exclusion in pension eligible wages of payment made for back pay, to settle a legal claim.
- The responsibility should be assigned for setting pension participation dates according to the ordinance.
- The responsibility should be assigned for identifying and correcting errors within pension eligibility data.
- There should be guidance on how to correct non-conforming pension participation dates.

We recommended that the Personnel Director obtain clarification and confirmation from the full Pension Board with respect to certain specific aspects of computing pension eligible wages for worker's compensation paid in lieu of salary, back pay resulting from settlement of a wage dispute and payments made for certain kinds of leave.

(See Section VII.)

Email Links and Response Time

We recommended that the Personnel Director ensure that contact information is expanded and/or standardized where contact information or email links are provided.

We recommended that the Personnel Director ensure that general email accounts are checked more frequently, or that email groups are established so that messages are sent to more than one recipient. (An email sent to the address of an email group would result in the email being directed to more than one individual.)

(See Section VIII.)

Civil Service Commission

We recommended that the Policy Advisor update this site to correct the text, add contact information and add website address. Also, we recommend that the Policy Advisor review the membership of this board.

(See Section IX.)

Retirement Board of Trustees

During the audit, all but one Board member were serving on expired terms. The term of the newest member was stated incorrectly. It should have been dated as February 28, 2017. This was corrected during the audit.

We recommended that the Policy Advisor update this site to correct the text, add contact information and add website address. Also, we recommend that the Policy Advisor review the membership of this board. This was done during the audit.

(See Section X.)

Contracts

Key contract clauses and contract clauses that were changed with the last contract revision were reviewed with the Pension Board, the Personnel Director and the Chief Accounting Officer to ensure they were aware of certain provisions within these contracts.

(See Section XI.)

Plan Description on Intranet

We recommended that the Personnel Director amend internal descriptions of the plan to indicate that a specific benefit calculation within Plan A and Plan B are the same.

We recommend that the Personnel Director amend internal descriptions of the plan to indicate how pension participation dates are set within Plan A and Plan B.

(See Section XII.)

Pension Census Query

A query used to generate the pension census contained a logic error which was corrected during the audit.

(See Section XIII.)

Pension Participation Date Errors

We recommended that the Personnel Director and Chief Accounting Officer ensure that additional data validation steps are added to the pension census creation process:

- The entire listing should be sorted by key date fields to determine if a large number of employees share the same date. This technique revealed the error in the query.
- The difference between the hire date and pension participation date should be computed, listed in a column and reviewed for the civilian plan.

We recommend that the Personnel Director ensure that the current 2014 year-end pension census is reviewed to ensure that non-conforming dates within employees in the civilian plan be reset to agree with the method specified in the ordinance.

We recommend that the Pension Board consider recommending a change to the pension ordinance to standardize all pension participation dates to the first of a month, and fix that date in relation to either their hire date or first day of full time employment.

We recommend that the Personnel Director ensure that employees who have switched pension plans be flagged within Human Resources records and/or the pension census.

(See Section XIV.)

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Background and Introduction

Pension Plans

St. Louis County Government provides defined benefit retirement plans for the benefit of civilian and police employees of the County. There are two plans. Plan A is for civilian employees. Plan B is for commissioned Police officers.

St. Louis County Retirement Board of Trustees

The authority of the St. Louis County Retirement Board of Trustees is defined within Chapter 204.030 of the St. Louis County Code of Revised Ordinance.

Board members are appointed by the County Executive. The Board consists of seven members:

- Three members must be participants in the retirement plans.
- Four members are members of the general public who are not County employees.
- One of the members, but not more than one member must be a commissioned Police Officer.

The board elects its own Chairman and Vice-Chairman. The Personnel Director currently serves as a Secretary to the Board and does not have a vote. The Chief Accounting officer serves as an ex-officio member and does not have a vote.

The Board approves all applications for retirement, termination or death or disability benefits.

Chapter 204.050 of the Revised Ordinances of St. Louis County states:

“204.050 - Duties of Board of Trustees—Immunity of Members—Vacation of Office—Annual Report—Declaration of Interest.—

1. *The Board shall approve all applications for retirement, termination or death or disability benefits. In addition, the Board shall interpret and construe the retirement plans, determine all questions of eligibility, credited service, eligible retirement dates, compensation, computation of benefits, value of benefits, and similarly related matters for the purpose of the retirement plans, and, except as otherwise provided herein, the Board's determination of all such questions arising under the retirement plans shall be conclusive upon all participants and any others concerned”.*

Pension Fund Assets

The St. Louis County Employees Retirement Pension Fund had assets for \$596,463,351.99 as of the end of the 2014 fiscal year (December 31, 2014). Current fund assets, as of March 31 of 2015, were \$617,312,490.

Pension Census

Annually, data is extracted from Personnel systems and supplemented with Payroll data to create a “pension census”. This census is a listing of St. Louis County employees that includes basic demographic information such as their name, hire date, sex and department as well as their term of employment and detailed and summary wage and eligibility data, covering the prior two calendar years. An initial report is generated and then supplemented with additional detailed wage data. The report is also subjected to certain validation checks.

This pension census is forwarded to an Actuary, on an annual basis. The data is added to model that is used by the Actuary to analyze the composition of St. Louis County government’s work force. The Actuary uses the data to compute St. Louis County government’s annual pension liability.

Annual Pension Liability

St. Louis County makes annual contributions to the pension fund to fund these retirement benefits. These amount were based on calculations performed by the Actuary.:

- The 2013 St. Louis County’s total pension plan employer contribution was \$ 36,628,538.
- The amount contributed to the Civilian Plan was \$ 26,553,932.
- The amount contributed to the Police Plan was \$ 10,074,606.

Administration of Benefits

Retirement benefits are administered by staff and management within the Personnel Division, within the Department of Administration.

Payroll is administered by staff and management within the Fiscal Management Division, within the Department of Administration.

Financial statements for the County and the St. Louis County Employees Retirement Plan are prepared by the Fiscal Management Division.

Annual Financial Statement Audit

Financial statements of the pension fund are prepared by Fiscal Management. The statements are audited by Kerber, Eck & Braeckel, LLP.

Within these audits the County's external auditors samples pension census data to verify the reliability of the data. The external auditors reported a significant deficiency in internal control due to the number of errors found within their sample. While the individual errors found were corrected, their testing indicated a need for additional audit work to better quantify the number of errors in the whole population and to attempt to determine the source of the errors. **We reviewed the entire population of data, and isolated unusual records so they could be checked against other Personnel data.**

The St. Louis County Auditor's Office initiated an internal audit to review aspects of Pension processing:

- Control narratives were written to describe processes performed by several functions within County government to assemble the pension census.
- Control narratives were also written to document processes in place for requesting benefits.
- A sample of employees was chosen at random, by the Auditor's Office, for audit testing. We tested the data in the employee census to ensure that information on each employee. Specifically we checked:
 - hire date,
 - payroll amounts,
 - pension participation dates.

This sample was selected and tested in a manner similar to one chosen by external auditors. This was done to provide a separate and slightly larger sample, for use in making a determination about error rates. Data for employees within this larger sample will be checked, on a rolling basis against reporting for subsequent years.

The Auditor's Office then performed audit tests against the whole pension census file from 2013, which contained data on 4,034 employees. Tests were performed to determine if pension participation dates and wage amounts were reported correctly. We compared the relationship between the hire date and the pension participation date on records. We sorted records, looking for high and low data values and fields that were inconsistent.

Section 204 of the St. Louis County Code of Revised Ordinances

Section 204 of the St. Louis County Code of Revised Ordinances was reviewed as part of the planning process for this audit. Section 204.060 is included in this audit report as it contains a few key provisions about pension participation dates. This section was key to the audit work we performed:

"204.060 - Participants in Retirement Plans.—

1. *All salaried County employees in the civilian service of St. Louis County, all elected salaried employees, heads of departments, County Auditor, County Counselor and Administrative Director of the County Council, and all commissioned police officers of the St. Louis County Police Department, except as otherwise provided, who are employed on the operative date of this chapter, or who may thereafter be so employed, shall become participants in the respective retirement plans as a condition of their employment. Each employee's membership shall continue as long as he shall continue to be an employee. Members of boards and commissions and employees whose customary employment is for less than thirty*

(30) hours in any one (1) week or whose customary employment is for less than nine (9) months in any calendar year, shall be excluded from participation in either retirement plan.

2. *All present salaried County employees who become participants in the respective retirement plans by subsection 1. above shall become participants immediately upon the operative date of this chapter. All future eligible salaried County employees in the civilian service shall become participants in Plan A from the first day of the month coinciding with or closest in time to the date of employment with the County. All future eligible commissioned police officers and noncommissioned police academy recruits of the St. Louis County Police Department shall become participants in Plan B from the date they are commissioned or, in the case of police academy recruits, from the date they commence employment.*
3. *Anything to the contrary notwithstanding, any salaried County employee who would otherwise be eligible to participate in either the civilian employees' retirement plan or the police officers' retirement plan and who participates in any other retirement plan to which St. Louis County pays an employer's share (other than Social Security and the Missouri Prosecuting Attorneys and Circuit Attorneys' Retirement Plan) shall not participate in either retirement plan for salaried County employees.*
4. *Anything to the contrary notwithstanding, any individual on the payroll of a third party with whom the County has contracted for the provision of said person's services and any person who pursuant to a written contract with the County that provides that he is an independent contractor and not an employee shall not (i) become a participant in either retirement plan for salaried County employees or (ii) (in the case of an individual who became a participant in either retirement plan by reason of other service) earn credited service in either retirement plan for salaried County employees by reason of services rendered while the employee was on the payroll of the third party or during the period such written contract is in effect unless participation is permitted under the St. Louis County Retirement plans and a written contract specifically provides for such participation, regardless of such person's reclassification as an employee for such period by the Internal Revenue Service for tax withholding purposes.*

(O. No. 20245, 11-30-00)”

Objectives and Scope of Audit

At the beginning of the audit, we met with management and established audit objectives. These objectives are stated in the positive. These are objectives we expect to be met or controls we would expect to find in this area. At the end of the report, we provide results of the audit, against these objectives.

Our audit scope was primarily testing of data within the pension census, but we also reviewed web content, policies and information posted on various internal and external web sites regarding benefits. At the start of the audit, the objectives and the scope of the audit were as follows:

Policies

The departments or divisions should have written policies. Policies should be up-to-date. Policies should have been approved by management.

Procedures

The departments or divisions should have written procedures. Procedures should be up-to-date. Procedures have been approved by management.

Internet Content

Web sites (external) should contain valid and correct information.

Intranet Content

Web sites (internal) should contain valid and correct information.

Control Narratives

Controls narratives should cover key processes. Controls should have been identified.

Payroll and Pension Eligible Wage Information

Any coded values are checked to ensure that the codes are corrected and are interpreted correctly.

Actuarial Computations

Data provided to actuaries is accurate and complete. (Substantive audit testing will be performed to validate information during this audit step.)

Reporting

Financial reporting should be in place that allows for review of the balance. Financial reporting should be in place that allows for review of investments. Financial reporting should be in place that allows for comparison of actual distribution to actuarial calculations.

Contracts

Contracts should be properly executed with key service providers.

Boards and Commissions

Board composition should be well-defined. Conflicts and potential conflicts of interest are disclosed. Board members recuse themselves or abstain from voting on matters that benefit themselves personally.

Records and Record Retention

Written record retention schedules exist. Written record retention schedules are periodically reviewed, updated and approved. Records should be retained according to the retention schedule. The location of stored records is known, whether they are stored:

- with an external provider, or,
- at the St. Louis County Record Center, or,
- stored electronically, or
- stored on electronic media.

I. Policies

We requested written policies and procedures and supporting documentation for certain tasks performed to administer benefits.

The Personnel Division did not have sufficient written policies regarding certain tasks and processes. The Personnel Division could use additional documentation of policies regarding the calculation of and the administration of certain pension-related benefits, and exceptional cases. For example, we found no written documentation regarding pension participation dates for employees who switch plans (from Civilian to Police or Police to Civilian). We found no written documentation regarding the proper treatment of some unusual compensation like “back pay” or “military leave”.

Recommendation

1. We recommend that the Personnel Director and Manager of Retirement and Benefits develop a more complete set of policies with the table of content that reflects key tasks performed by the Benefits and Retirement function. Also, we recommend that the Personnel Director uses a provided template for policies and make them available on the intranet for the staff. This will help to keep the policies up-to-date and use less paper.
2. We recommend that the Personnel Director and Manager of Retirement & Benefits develop written policies with respect to:
 - responsibility for the identification and correction of non-conforming pension participation dates,
 - proper treatment of worker’s compensation claims adjustment and back pay within the pension census,
 - the transfer of employees between plans,
 - expanding and formalizing the documentation for setting pension participation dates.

Management Response

1. The Retirement Ordinance is currently available on the County Website on the County Council site along with all of the other County ordinances. This is the plan document that provides the direction for the Retirement Plan. The Ordinance follows the format of all the other ordinances. A summary booklet explaining the plan is currently available on the County Net.
2. A process is currently in place but Personnel will develop written documentation to confirm this process. The process includes annual discussion between CAPS, Personnel, and Payroll regarding review of the existing payroll codes and if they should be included in an employee’s wages or excluded in the Actuarial census. We will also work to better identify those individuals in MUNIS who have a break in service or have prior non credited service. Their employee file will confirm all of this information and is used for calculation of benefits. Personnel will work with CAPS to identify these individuals in MUNIS and then discuss with the Actuary if any corrected information is needed for the census.

II. Procedures

We requested written policies and procedures and supporting documentation for certain tasks performed to administer benefits. The Personnel Division did not have sufficient written procedures regarding the calculation of and the administration of certain pension-related benefits.

Recommendation

3. We recommend that the Personnel Director and Manager of Retirement & Benefits develop additional task-based documentation to address:
 - steps required to run the pension census query,
 - subsequent steps taken to review, correct or revise the contents of the pension census report.

This documentation should include explicit instructions on how to:

- review the population of employees to identify non-conforming pension participation date,

- set the pension participation date within MUNIS,
- correct a non-conforming or incorrect pension participation dates,
- transfer employees between the civilian and police pension plans,
- treat worker's compensation claims adjustments, back pay, military leave and medical leave when preparing the pension census report,
- treat worker's compensation claims adjustments, back pay, military leave and medical leave when unusual pay is included within the 36 month period of employment, that is used for computation of retirement benefit amounts.

Management Response

3. A process is currently in place to develop the Actuary Census but we will develop written documentation to confirm this process. The process includes annual discussion between CAPS, Personnel, and Payroll regarding review of the existing payroll codes and if they should be included in an employee's wages or excluded. We will also work to better identify those individuals in MUNIS who have a break in service or have prior non credited service. Their employee file will confirm all of this information and is used for calculation of benefits. Personnel will work with CAPS to identify these individuals in MUNIS and then discuss with the Actuary what information is needed for the census.

III. Staff Directory

As part of every audit, we review Staff Directory entries and reconcile the entries to payroll listings to ensure that there is a Staff Directory entry for every employee and that the information is correct and complete.

We noted errors in the Staff Directory that were corrected during the audit.

- There was no fax number for employee "Cushman". HR Generalist.
- There was no fax number or extension for employee "Goen".
- The last name of employee "Johnson" needs correction. There was no zip code on her address.
- There was no fax number or extension for employee "Patrick".
- There was an entry for a test user ID that is on the file used as the source for the Staff Directory. This user ID should be removed from the Staff Directory.
- Employee "Powell-Rogers" was missing from the Staff Directory.

Recommendation

4. We recommend that the Personnel Director ensure that the name entries listed in our finding be updated and that the Telcom Coordinators regularly review the Staff Directory for error and omissions.

Management Response

4. These entries were reviewed and corrected during the audit.

IV. Telecom Coordinator List

During the audit the "Telecom Coordinator List" was verified by e-mailing to the division's Telecom Coordinators. The last name of one of the Telecom Coordinators was incorrect. No phone number is listed for one of the Telecom Coordinators.

Recommendation

5. We recommend that the Telecommunication Division send out validation requests emails to all the Telecom Coordinators and Department Directors on annual basis. This will insure the accuracy of the list and will keep the directors informed on other functions that are occurring in their department. We further recommend that the validation requests include the reminder that they check the staff directory for their department or division.

6. We recommended that the Personnel Director ensure that general email accounts are checked more frequently, or that email groups are established so that messages are sent to more than one recipient. (An email sent to one address will be received by more than one individual.)

Management Response

5. The Telecom Coordinator's list was corrected during the audit.
6. The Personnel Director will establish a system whereby general e-mail accounts are checked twice annually for accuracy, on August 1 and February 1 for accounts in the Personnel Division. General e-mail accounts throughout the County are not within the purview of the Personnel Division currently and should be the responsibility of Telecom unless otherwise directed and provided.

V. Internet Website

We reviewed content for consistency, accuracy and current information. We checked for:

- dead links,
- text that spills over pages,
- missing or outdated contact information,
- delineation of internal content and external links,

We listed specific addresses and hosted content that can be improved to conform with conventions followed by the Chief Information Officer. A few examples:

- Links documents such as agendas, minutes and newsletters are hosted in an order which listed documents from the current year, followed by documents from the previous year, then documents from ten years prior. (For example, 2015, then 2014, followed by 2003, 2004, 2005 then 2006.) These documents can be renamed or reordered in chronological order or reverse chronological order so they are easier to find.
- Acronyms are used before they are defined.
- Unique names (County Connection) are used before they are defined.
- Several forms do not have page numbers and page counts. These forms have been hosted with blank pages and no page numbers or page counts. Without a page count, it is easy to reach a blank page without realizing there are additional pages to the form.

Recommendation

7. We recommend that the Personnel Director and Website Designer review and update their external website on a semi-annual basis.
8. We recommend that the Personnel Director and Director of Administration review and update documents that are posted for the benefit of the public. This will help ensure that website users see documents and forms that are current and accurate. A listing of format and content issues found during this audit can be provided for the Personnel Director to consider. Assistance can be provided by Information Technology staff.

Management Response

7. The Personnel Director and Website Designer will review the external website on August 1 and February 1 annually.
8. Some of the pages cited are one page documents where a page number is not necessitated.

VI. Intranet Website

We reviewed content for consistency, accuracy and current information. We checked for dead and misdirected links. The website is in very poor condition and contains outdated information.

Recommendation

9. We recommend that the Personnel Director and Website Designer review and update their website on quarterly or semi-annual basis.
10. We recommend that the Personnel Director and Administrative Director review and update documents that are posted on the website. This will help ensure that internal website users see documents and forms that are current and accurate.

Management Response

9. The Personnel Director and Website Designer will review the internal website on August 1 and February 1 annually.
10. Some of the pages cited are one page documents where a page number is not necessitated.

VII. Control Narratives

We drafted additional documentation to explain processes and control processes for the benefit of staff involved in these processes as well as users of the data.

A query, which was written by CAPS personnel is run by Retirement & Benefits personnel. The data is supplemented with Payroll data and validated by Fiscal Management. The census is then returned Retirement & Benefits staff. The census, along with listings of errors found are then sent to an Actuary. The same census is also used for testing and validation of data within Pension financial statement audits.

We noted the following:

- Reports and spreadsheets include terms that are not well defined, which might be ambiguous. For example the phrase "Termed Employee" appears on a key report/spreadsheet without a definition of the phrase in the proper context. The phrase may refer to an employee whose term of employment is limited as they may be paid through grant funding. The phrase appears on the same reports as records of employees who are listed as terminated employees. Given that the report is used to compute the pension liability, the usage of the phrase should be made clear.
- Written documentation does not adequately address unusual compensation such as worker's compensation paid in lieu of wages or back pay resulting from settlement of a wage dispute. These are unusual and infrequent transactions. The documentation needs to clearly state how to derive pension eligible wages, if any, for certain unusual transactions, from reports showing wages. The documentation needs to explicitly state any differences between the following:
 - Certain wage codes amounts need to be included or excluded to ensure the proper payment of wages in payroll.
 - Certain wage codes amounts need to be included or excluded to ensure the proper reporting of income tax liability.
 - Certain wage code amounts need to be included or excluded to ensure the proper calculation of pension liability and benefit payment.

The written documentation for these codes includes only two columns stating “Included” or “Excluded” to describe the handling of these wage codes for computing pension eligible wages. However the documentation does not explain that some of these codes flow through the payroll system as negative amounts or that certain payments are the net of two offsetting payments paid under different wage codes. The documentation needs to be improved to address these types of differences:

- If wages paid under a wage code for “Clothing Allowances” are “Excluded” from pension eligibility calculation it reduces the total of wages, as the amounts are typically positive numbers.
- If wages paid under a wage code for “Worker’s Compensation Adjustment” are “Excluded” from a pension eligibility calculation it would actually increase pay as the adjustments flow through as a negative amount. The negative amounts are used to offset payments made under other wage codes.

Recommendations

11. We recommend that the Personnel Director obtain clarification and confirmation from the full Pension Board with respect to certain specific aspects of computing pension eligible wages for worker’s compensation paid in lieu of salary, back pay resulting from settlement of a wage dispute and payments made for certain kinds of leave.
12. We recommend that the Personnel Director ensure that control documentation is supplemented to clarify these subjects:
 - There should be rules or guidance for setting the pension participation date for an individual who transfers from the civilian to the police pension plan or vice versa,
 - There should be guidance on the proper inclusion or exclusion in pension eligible wages of payments made from worker’s compensation, in lieu of salary included in pension eligible wages both for the purpose of computing the actuarial liability and for computing retirement pay amounts.
 - There should be guidance on the proper inclusion or exclusion in pension eligible wages of payment made for back pay, to settle a legal claim.
 - The responsibility should be assigned for setting pension participation dates according to the ordinance.
 - The responsibility should be assigned for identifying and correcting errors within pension eligibility data.
 - There should be guidance on how to correct non-conforming pension participation dates.

Management Responses

11. The Personnel Director will address these concerns with the Retirement Board and seek direction.
12. The Personnel Director will address these concerns with the Retirement Board and seek direction.

VIII. Email Links and Response Time

We tested response time through email links posted on the Personnel Internet site.

We noted that emailed message sent to the Personnel Department sent on February 03, at 12:08 PM and repeated on February 04, at 9:50 AM were not answered until February 05, at 2:26 PM. We are concerned about the response time to an email that was sent, with no reply or confirmation for three days.

We reviewed contact information on Personnel web sites. We noted that contact information is inconsistent where stated on Personnel Internet Web Sites.

For example:

- No contact name is given on the welcome page.
- A text telephone (TTY) number is given on the Americans with Disabilities Act (ADA) page. We would suggest that this number be added elsewhere on the Personnel web site.
- Contact information for Personnel, the ADA, the Committee on Disabilities, and the Civil Service and Retirement pages is inconsistent.

We have suggested that contact information be presented in a similar order, such as:

Division or Subject
 Name
 Job Title
 Address
 Phone
 Fax
 TTY
 Email
 Office Hours

Even if a particular data field is skipped, the rest of the information should be provided in a similar way. If no name is stated, the contact information should include a job title.

We are concerned that the lack of specific contact information encourages employees to send or call within information that may be sensitive, without knowing who the recipient is or who information was provided to. Inclusion of a generic job title, such as HR Generalist or Manager – Retirement & Benefits would be helpful. We discussed the subject of contact information with the Chief Information Officer. He is implementing improved contact information on County web sites. Newer standards under development should address our concerns.

Recommendations

13. We recommend that the Personnel Director ensure that contact information is expanded and/or standardized where contact information or email links are provided.
14. We recommend that the Personnel Director ensure that general email account are checked more frequently, or that email groups are established so that messages are sent to more than one recipient. (An email sent to one address (a group address) will result in the email being directed to more than one individual.)

Management Responses

13. The Personnel Director will establish a system whereby general e-mail accounts are checked twice annually for accuracy, on August 1 and February 1 for accounts in the Personnel Division. General e-mail accounts throughout the County are not within the purview of the Personnel Division currently and should be the responsibility of Telecom unless otherwise directed and provided.
14. The Personnel Director will establish a system whereby general e-mail accounts are checked twice annually for accuracy, on August 1 and February 1 for accounts in the Personnel Division. General e-mail accounts throughout the County are not within the purview of the Personnel Division currently and should be the responsibility of Telecom unless otherwise directed and provided.

IX. Civil Service Commission

Within every audit performed in a department or division with a close relationship to a board, we review board composition and report the status of the board. We also review and check information posted about the board. We communicate the status of the board and the results of our reviews to the Policy Advisor who manages contents of the Boards and Commissions database. This helps to avoid problems with boards that may be having

difficulty obtaining quorums. This also helps to avoid interruption of critical County business conducted by certain boards.

At the time of the audit, one of the three Civil Service Commissioners was sitting on an expired term.

On the Boards and Commissions web site, under the “Civil Service Commission” description page:

- The word “shall” is spelled incorrectly as “hall”.
- The word “cause” is spelled incorrectly as “causes”.
- There is a phone number but no other contact information.
- The address of the link is included in the text but it is not a hyperlink. The linked text is at this address.

<http://www.stlouisco.com/YourGovernment/CountyDepartments/Personnel/CivilServiceCommissionMeetingDatesandAgendas>

Recommendations

15. We recommend that the Policy Advisor update this site to correct the text, add contact information and add website address. Also, we recommend that the Policy Advisor review the membership of this board.

Management Responses

15. The spellings, phone numbers and link address will be corrected.

X. Retirement Board of Trustees

Within every audit performed in a department or division with a close relationship to a board, we review board composition and report the status of the board. We also review and check information posted about the board. We communicate the status of the board and the results of our reviews to the Policy Advisor who manages contents of the Boards and Commissions database. This helps to avoid problems with boards that may be having difficulty obtaining quorums. This also helps to avoid interruption of critical County business conducted by certain boards.

We noted:

- The Retirement Board of Trustees has seven positions. Effective 2/28/2015 six of seven members of the Board were listed as serving on expired positions.
- The Board has had some difficulty with achieving quorums due to absences of one board member.
- A new board member was seated, but the expiration date of the new board member is listed in the database as 2/28/2015. **The term of the board member’s position was corrected during the audit to read 2/28/2017.**
- Within the description, in Section IV, there needs to be a space between inserted in “retirementplans”.
- The text of a link is given but there is no hyperlink.
- The agendas and minutes are at this link:
- <http://www.stlouisco.com/YourGovernment/CountyDepartments/Personnel/RetirementMeetingAgendasandMinutes>

Recommendations

16. We recommend that the Policy Advisor update this site to correct the text, add contact information and add website address. Also, we recommend that the Policy Advisor review the membership of this board.

Management Responses

16. The recommended changes will be made.

XI. Contracts

We reviewed the two most recent versions of contracts with major service providers to the St. Louis County Employees Retirement Board.

One key contract is for advisory and consulting services from Summit Strategies, Inc. The other key contract is for Buck Consultants, the Actuary who analyzes salaries and computes the pension fund's required annual contribution. The Actuary also performs calculations on computation of benefits for persons who request benefits. The Actuary, by contract performs a fixed number of these per year. If the number of computations required exceeds this number, additional compensation provided. We performed very limited testing. We compared successive contracts to determine what had changed when the contract was last re-negotiated.

Key contract clauses and key contract clauses that changed were reviewed with the Pension Board, the Personnel Director and the Chief Accounting Officer to ensure they are aware of certain provisions within these contracts.

XII. Plan Descriptions on Intranet

We reviewed retirement plan descriptions hosted on the Personnel Department's Intranet. We reviewed two documents:

- "Police Employees' Retirement Plan",
- "Civilian Employees' Retirement Plan".

We noted differences between the wording of the definition of "average compensation" within these documents. Average compensation is used in the final benefit calculation. It is defined once in ordinance. The ordinance states that "average compensation" shall have the same meaning in both plans:

"204.180 - Service Retirement Date Benefits—Plan B.

.....For purposes of determining benefits, "average compensation" shall have the same meaning given that term under Section 204.110 of this chapter.

We bolded the text that is different. Within the description of the Police Employees Retirement Plan, average compensation is defined as follows:

*"For participants having at least five or more years of credited service on the date of retirement, final average compensation is determined by the average of your compensation **over a period of 60 consecutive months**. The months chosen are the 36 consecutive months out of the last 120 months (10 years) or fewer that will give you the highest average..."*

Within the description of the Civilian Employees Retirement Plan, average compensation is defined as follows:

*"For participants having at least five or more years of credited service on the date of retirement, final average compensation is determined by the average of your compensation **over a period of 36 consecutive months**. The months chosen are the 36 consecutive months out of the last 120 months (10 years) or fewer that will give you the highest average..."*

If you follow the rest of the instruction, you will arrive at the same calculation.

Recommendation

17. We recommend that the Personnel Director amend internal descriptions of the plan to indicate that a specific benefit calculation within Plan A and Plan B are the same.

Management Response

17. The language on the Police Intranet site will be modified to reflect **36** consecutive months.

XIII. Pension Census Query

The query that has been used to generate the pension census contained a logic flaw that was corrected during the audit. The query reported the wrong date for the pension participation date for a small number of employees. The query under-reported pension eligible service by an aggregate of 5,881 months. Pension service was understated by as few as 6 months to as many as 351 months for individual employees. The query selected the first date found in an area of the employee record that had “user-defined fields”. If there were more than one field and date in this area of the record, the query selected the first date found.

We believe that the incorrect results were reported in the census for at least 55 employees. These employees all had the same incorrect date selected for the “Pension Participation Date” field in the query.

Recommendation

18. We recommend that the Personnel Director and Chief Accounting Officer ensure that additional data validation steps are added to the pension census creation process:
 - The entire listing should be sorted by key date fields to determine if a large number of employees share the same date. This technique revealed the error in the query.
 - The difference between the hire date and pension participation date should be computed, listed in a column and reviewed for the civilian plan.
19. We recommend that the Personnel Director ensure that the current 2014 year-end pension census is reviewed to ensure that non-conforming dates within employees in the civilian plan be reset to agree with the method specified in the ordinance.
20. We recommend that the Pension Board consider recommending a change to the pension ordinance to standardize all pension participation dates to the first of a month, and fix that date in relation to either their hire date or first day of full time employment.
22. We recommend that the Personnel Director ensure that employees who have switched pension plans be flagged within Human Resources records and/or the pension census.

Management Response

19. This process is being addressed currently.
20. This process is being addressed currently.
21. This recommendation will be discussed with the Retirement Board.
22. This process is being addressed currently.

XIV. Pension Participation Date Errors

The convention for setting the pension participation date is stated within ordinance. An excerpt from Section 204.060 - *Participants in Retirement Plans* follows:

“...Section 2. All present salaried County employees who become participants in the respective retirement plans by subsection 1. above shall become participants immediately upon the operative date of this chapter. All future eligible salaried County employees in the civilian service shall become participants in Plan A from the first day of the month coinciding with or closest in time to the date of employment with the County. All future eligible commissioned police officers and noncommissioned police academy recruits of the St. Louis County Police Department shall become participants in Plan B from the date they are commissioned or, in the case of police academy recruits, from the date they commence employment.”

We provided listings to the Personnel function of a subset of records within the Pension census that we believe may contain errors, predominantly in the setting of pension participation dates. The data on the record may be correct, but we reported them, because a particular field or the relationship between two date fields indicate an unusual condition or possible error. Typically, a pension eligibility date has been set for a civilian employee to a date that is not the first of a month and/or a date that is not the first of the nearest month.

We provided listings as follows:

Lack of Salary (5 records)

This is a listing of records where there is either no salary or a very small amount of salary (such as \$118.53 spanning a two year period). The records may be correct, but the lack of salary for one or both year listed within the report would seem to indicate the employee is not a full time employee. An employee with very low salary employees should be checked to ensure they meet the criteria for inclusion in the report.

Hire Date Is Incorrect (1 Record)

The hire date for one elected official differs from the pension participation date by 366 days. Based on the date of the election, the hire date appears to have the wrong year. If corrected there would be no change to accrued pension service.

Date Not Reset (8 Records)

This is a listing of records for civilian plan employees where the hire date and pension participation date are the same and the date has not been set to the first of the month. If dates are set according to the ordinance, two employees would each have one less month of eligibility.

Rule Not Followed – Plus or Minus 90 days (50 records)

There are records within the pension census where there was a difference of more than 16 days but 90 days or less (in either direction) from the hire date. For most, the pension participation date was set at least one month later than it would have been set if the rule in the ordinance was applied strictly. This may indicate a delay between the date of hire and the start of work. However, the record-keeping is inconsistent with the ordinance.

Query Errors (55 records)

These errors are different from the others, as the underlying records are correct, but the script used to generate a report had a logic error. The script was corrected during the audit.

This is a listing of fifty five employee records in the pension census with the same pension participation date (12/14/2008). The script used to create the query reported the wrong date:

- Fifty three of these employee records have a pension participation date that is after their hire date, which was reported incorrectly by the script. The records in MUNIS are correct.
- Two of these have a pension participation date before their hire date, which was reported incorrectly by the script. The records in MUNIS are correct.

Exceptions – Pool (377 records)

This is a listing of records for civilian employees where the pension participation date is more than 90 days earlier or later than the hire date. The pension participation date is not the first of the month for some of the records within this listing.

The records listing in this report may be correct if the discrepancy is caused by a gap in service or a period of part time employment:

- If the hire date is earlier than the pension participation date, it may indicate a period of part time or temporary employment, prior to full time employment.
- If the hire date is later than the pension participation date, it may indicate a gap in employment.

These listings were reviewed by the Personnel Director, who reviewed them at the end of the audit:

<u>Listing</u>	<u># of Records</u>	<u>Status</u>
Lack of Salary	5 records	Reviewed and confirmed as correct.
Hire Date Is Incorrect	1 record	The hire date on one record was corrected.
Rule Not Followed – Plus or Minus 90 days	50 records	Five records needing correction were corrected.
Query Errors	55 records	The CAPS group corrected the query. These fifty-five records are now being reported correctly.
Date Not Reset	8 records	Under review as of May 15 th .
Exceptions – Pool	374 records	Within 300 records there were 11 participation dates that were corrected. The remaining records will be reviewed.

Recommendation

23. We recommend that the Personnel Director review the Personnel records for these employees and revised and correct any pension participate date errors or errors within the hire dates.

Management Response

23. Personnel records for the impacted employees have been reviewed and any errors indicated were corrected.

Attachment 1 Assessment of Controls – Post Audit

At the conclusion of the audit, we assessed the effectiveness of controls based on the results of the audit:

Policies

There is a need for additional written policies. Policies with older revision dates should be reviewed and the revision dates rolled forward. Templates or manifest would help show evidence of approval by management.

Procedures

There is a need for additional written procedures for preparing the pension census. Procedures are not up-to-date. Procedures do not show evidence of having been approved by management.

Internet Content

External web sites could be improved by adhering to better standards and conventions that are being rolled out for other County departments. Contact information could be standardized. Links to agendas, minutes and newsletters could be presented in a standard way and in chronological or reverse chronological order. Links to external organizations should be better labelled so that visitors know if they are leaving the County web site.

Intranet Content

Web sites (external) could be improved by adhering to better standards and conventions that are being rolled out for other County departments. Contact information could be standardized. Links to agendas, minutes and newsletters could be presented in a standard way and in chronological order or reverse chronological order.

Control Narratives

Controls narratives did not cover key processes. Controls had not been identified. Control narratives were written during the audit to describe the processes whereby the census data is gathered, supplemented, checked and provided to the Actuary for computation of the County's annual pension liability.

Payroll and Pension Eligible Wage Information

Better definitions needs to be provided for phrases like "termed employees". Conventions for setting pension participation dates need to be expanded to address differences between plans and employees who change plans. Documentation on wage codes needs to be expanded to adequately address unusual compensation like worker's compensation pay, back pay and military leave.

Actuarial Computations

Data provided to actuaries contained a significant error that was corrected during the audit (between the 2013 and 2014 pension census). Substantive audit testing was performed to perform audit tests on samples of records and to perform audit testing which included the review of the entire pension census.

Reporting

Reporting of pension fund investments is thorough.

Contracts

Written agreements and contracts are in place with key service providers. The contracts contain key clauses.

Boards and Commissions

Board composition is well-defined. Documentation of positions needed minor updates. Conflict of interest clauses and lists of key tasks are in place. We have recommended that conflict of interest clauses regarding disclosure of conflicts be standardized where possible. Board members appropriately recuse themselves or abstain from voting on certain matters.

Records and Record Retention

Written record retention schedules exist. Written record retention schedules are periodically reviewed, updated and approved. Records are retained according to the retention schedule. The location of stored records is known.