



CITY OF WILMINGTON

Police Pension

Internal Audit Review

May 25, 2022

City Auditor's Office

Terence J. Williams
City Auditor
(302) 576-2165

Highlights

Why We Did This Audit

Internal Audit (IA) performed a scheduled audit of the Police Pension. The audit was conducted in accordance with the FY22, Internal Audit Plan.

Methodology

The objectives were achieved by reviewing prior year audits, City Code, other pertinent pension documents and current internal controls for the processing of pension transactions. IA reviewed a sample new police pensioners and terminated and deceased files for FY19-21 for all mandated information and recalculated new pensioners gross pay to determine accuracy where applicable.

Audit Review Committee:

Ronald Pinkett, Chair

Marchelle Basnight
Angelique Dennis
Chris Johnson
James Spadola
Tanya Washington

Objective and Scope

Internal Audit (IA) conducted a Performance Audit of the City of Wilmington Police Pension. The audit objectives were to determine whether operating procedures and internal controls provide adequate assurance that all authorized transactions were processed completely and accurately. We also determined whether computations for gross pay were accurate and based on authorized time and amounts to ensure pension distributions and records are properly reviewed approved, processed, and documented. The scope included Police Pension Activity during the period of July 1, 2018 - June 30, 2021.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The uniformed employees' pension plans include Firefighters and Police. The City of Wilmington Police Pension Act of 1984 closed the city's uniformed pension plans to new participants on July 31, 1991. All police hired on or after August 1, 1991, are covered under the Delaware State Retirement System. Currently, the city has two plans for its uniformed employees branded as the Old Plan and the New Plan. There is a Pension Secretary who works as an administrator and manages all Police Pensions.

Under the Old and New Plans, participants are eligible to retire and receive normal benefits after completing 20 years of service. The Old Plan was effective January 1, 1947, whilst the participants in the New Plan are employees hired after June 30, 1984, and before August 1, 1991. Participants hired before June 30, 1984, had the option to transfer into the New Plan on July 1, 1984. For both plans the annual retirement benefit is equal to 50% of the final salary. There is a slight difference between the Old and New Plans for the percentages received for exceeding 20 years of service. For instance, under the Old Plan there is an additional 2% for each year of credited services exceeding 20 years (includes partial years of service); The New Plan participants would receive 2.5%. In both the new and old plan, if there is a death of the pensioner, the surviving spouse shall receive 50% of the benefits.

Furthermore, there are minor modifications to the maximum benefits and contributions limits between the two plans as followed:

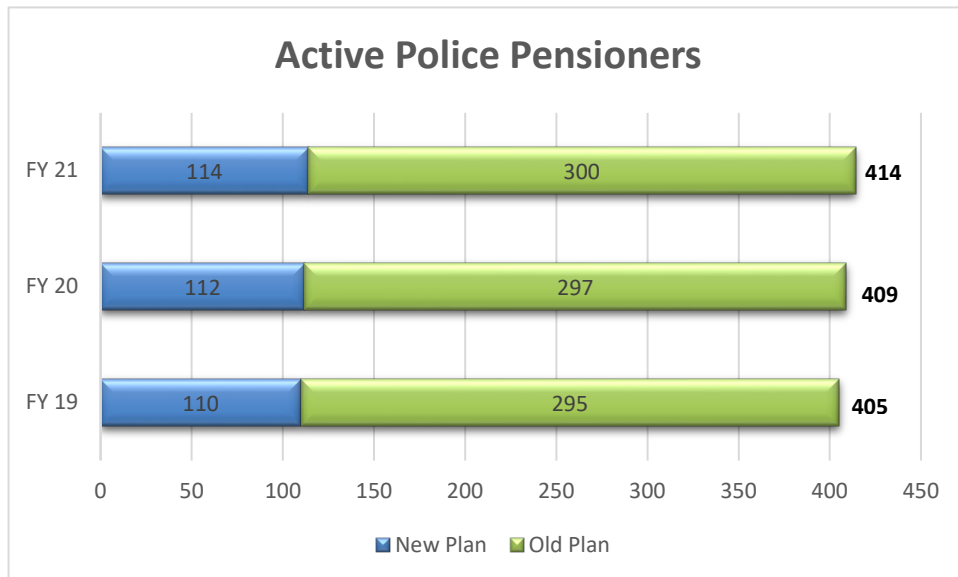
Old Plan:

- No maximum benefit
- Employee contributions are 6% of pretax salary (Prior to July 1, 1979, totaled 4%)

New Plan:

- Maximum benefit is 75% of employee’s pay (The employee may retire early and receive benefits after completing 15 years of service).
- Employee contributions are 6% of pretax salary

Key Statistics



What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a four. See **Attachment A** for the detail of these and all comments identified during the review.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Policies and Procedures	Amy Rausch, Police Pension Secretary Alfred Lance, Deputy Treasurer				✓
Record Retention	Amy Rausch, Police Pension Secretary				✓
Review and Approval Process	Amy Rausch, Police Pension Secretary				✓

Policies and Procedures

1. Based on a review of a prior year’s audit report, this is a repeat finding, due to there still not being a comprehensive policy and procedure manual for processing or pension applications.
2. Controls still need strengthening when processing stale dated checks of pensioners, based on a review of a prior year’s audit, this is a repeat finding. Per review of Treasury Office Policy # 2-221, “Stale-dated Checks & Escheats, checks uncashed for more than One Hundred Twenty (120) days should be placed in stale-dated status and subject to the State of Delaware escheat process should monies remain unclaimed after Five (5) years.” In addition, Policy 6-104, “Suspension & Termination of Payments,” states that periodically pensioner verification forms are to be sent to all active pensioners to confirm whether the pensioner information on file is current.
3. Controls need strengthening when it involves verifying terminated and deceased pensioners.

Not having consistency when gathering data decreases the quality and reliability of the data. Relevant information can also be missed and/or misleading and potentially delay the termination of deceased pensioners. There is also a risk of overpayments occurring if specific procedures are not consistently performed.

Record Retention

4. Document Management controls need strengthening, due to Tyler Content Manager (TCM) not consistently having required documents in pension files. Based on a review of the prior year's audit report, this was a repeat finding.

Not utilizing the document management system can result in unnecessary risks such as losing critical documents in the event paper documents and files are destroyed by a natural disaster. Misplaced or lost confidential information can be exposed, which will impact the City's integrity and lead to loss of credibility and trust.

Review and Approval

5. No control exists with regards to ensuring accuracy of pension benefit calculations. Based on a review of the prior year's audit report, this was a repeat finding.

Not having a secondary review process can result in errors going undetected and cause unnecessary adjustments to pensioners accounts

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1:

Management should develop a step-by-step manual for processing pension applications to streamline the process. It should include, but not limited to, timeframes and required documentation to avoid delays and provide transparency to pensioners. This will also foster accountability to the process owner(s). Cross training on the documented processes and procedures are also recommended to prevent loss of knowledge, delays in workflow and backlogs, due to the loss or extended absence of a key employee.

Management response & action plan:

Currently there are only seven active members that are eligible for retirement. One of the seven is on the old plan and the other six are on the new plan.

I personally contacted each of the members and they know that I am the Pension Secretary and the point of contact to begin paperwork.

I completed a pension application when the audit process began which is explained to each retiree and in some cases their spouses if a death occurs.

This application process is started, after the active member meets with Wilmington Police Department's Human Resources Division to review their retirement, earned benefits and time owed.

A resignation calculation form is completed by Wilmington Police Department's Human Resources Division with all benefits and entitlements owed to the member i.e., totals of carried over leave, shooting days, etc. This form is then signed off by the Chief of Police (Currently Chief Robert Tracy).

A City of Wilmington Human Resources Department Termination of Employment Form is also completed depicting when terminal leaves begins and ends.

Once the active member receives their resignation calculation form from Wilmington Police Human Resource Division, they then meet with the Pension Secretary (currently Amy Rausch).

That is when the application for pension is completed with me to be entered into the Munis system for when they start their pension. All pension information must be by the last week of the month to receive a pension payment on the first of the following month. If the cutoff was not met, a special check will be disbursed to the retiree the following week.

Completion Date: Completed

Recommendation #2:

Management should reinforce the importance of adhering to the current policies surrounding processing stale dated checks. In addition, they should ensure that a designated person is assigned this responsibility.

Management response & action plan: Management response was not received at the time of the audit publication but will be provided by management at a later date.

Completion Date: TBD

Recommendation #3:

Management should reinforce the importance of adhering to the current policies surrounding processing and assure that a designated person is assigned to the duty. They should ensure that a designated process owner utilizes the Berwyn System consistently on a month basis, as stated in the Treasury Office Policy Manual.

In addition, Management should evaluate the different types of reports Berwyn is able to generate and determine which ones are most useful to gain desired results. Once determined, language should be added to Policy and Procedure Manual.

There should also be a report or tracking sheet notating any changes completed because of the Berwyn reports.

Management response & action plan: Management response was not received at the time of the audit publication but will be provided by management at a later date.

Completion Date: TBD

Recommendation #4:

Management should ensure that all documents are completed and received during the interview process. It may be useful to create or start enforcing any existing checklist to aid in keeping records organized and/or accessible.

Pension Secretary should also follow-up with applicants about missing documents and/or incomplete forms.

Management should also consider updating the form to be more applicable. Surviving Spouse form requires a notary; however, that section of the form was either crossed out or empty. The interview form requires a witness; not one form had a witness signature. If the above is not required, they should be removed from such forms.

Management response & action plan:

It is the responsibility of the Police Secretary to ensure all proper paperwork is collected to finalize the procedures for benefits.

The application for both pensioners and spouses have been updated by removing the notary and witness from the forms as they are not necessary.

The pension secretary will complete the check form that is included in the application and will ensure all forms are uploaded into the computer.

On the related risks to this dimension, it gives nine instances where the Treasury Department did not run a database to check on deaths of pensioners. I do not have access to this and in some cases, not many, I find out months after the pensioner has passed.

Request: It is my request that I am issued a scanner so I may upload the documents from home. There is currently a scanner attached to the desk computer in the building, but it would be much more convenient if I had the proper tools to complete this process. I just now received a working laptop from the City of Wilmington to complete the Munis updates for all 453 pensioners.

Completion Date: TBD

Recommendation #5:

Management should implement a secondary review process where someone other than the Pension Secretary reviews calculations for accuracy. A secondary review process should be performed for all new pensioners.

In addition, proof of calculations should also be included in each pensioner's file.

Calculation corrections should be completed for those who were impacted by calculation errors.

Management response & action plan:

I completely concur with the recommendation of the auditor for this review. I became the Pension Secretary in 2019 after being on the board for 15 years after Lt. Greg Ciotti retired. Unfortunately, Ciotti was not in a physical condition to train me properly when taking over his position. I "trained" with him for a total of four hours before taking over the position.

Once in the position, I relied heavily on K. Stribling of the Treasurer's Office for help. Completely understanding her position that she has her own assignments, was in the middle of an election year and the Treasurer she was working for was replaced and staff was downsized, I can honestly state I received about four hours of training from Ms. Stribling as well.

Explaining these calculation errors, I asked the Auditor, MaDonna Woodson if she could explain the difference in the calculations (the minor ones). It was at this time were in the Treasurer's Office in the presence of K. Stribling and she stated that maybe I should use an excel form for the consistency of the calculations.

K. Stribling then stated that she also uses an excel form for her calculations. Unbeknownst to me, it would have been best to use this. I now, as of the above date, have an excel sheet that will calculate all the numbers and I can explain how it is done and how formulas were written.

Request: It would be my request that the person that is my second review would be the Fire Pension Secretary (currently Paul Merrill). There will only be seven more active members that will have to be pensioned off and I think that is a reasonable request as he has been doing the secretarial position for years.

Completion Date: TBD

Audit Team

Madonna Woodson, Senior Auditor
Tamara Thompson, Audit Manager