



CITY OF WILMINGTON

Fire Pension

Internal Audit Review

May 25, 2022

City Auditor's Office

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City Auditor
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Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled follow-up audit for Fire Pension. The audit was conducted in accordance with the FY22 Audit Plan.

Methodology

The objectives were achieved by reviewing prior year audits of pension transactions, pertinent City code, Belfint, Lyons and Shuman's Fire Pension Audited Financials and current internal controls for the processing of pension transactions. IA sampled 30 Fire Pensioner files for FY20-21 for all mandated information and recalculated new pensioners gross pay to determine the accuracy of disbursed amounts.

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 Fire Pension. The audit objectives were to determine that operating procedures and internal controls provide adequate assurance that 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 were properly reviewed approved, processed, and documented. The scope included Fire Pension Activity during the period of July 1, 2019 – 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 Firefighter's Pension Act of 1984 closed the City's uniform pension plans to new participants on July 31, 1991. All firefighters 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 Fire 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. 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%. If there is a death to the pensioner, the surviving spouse shall receive 50% of the benefits.

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

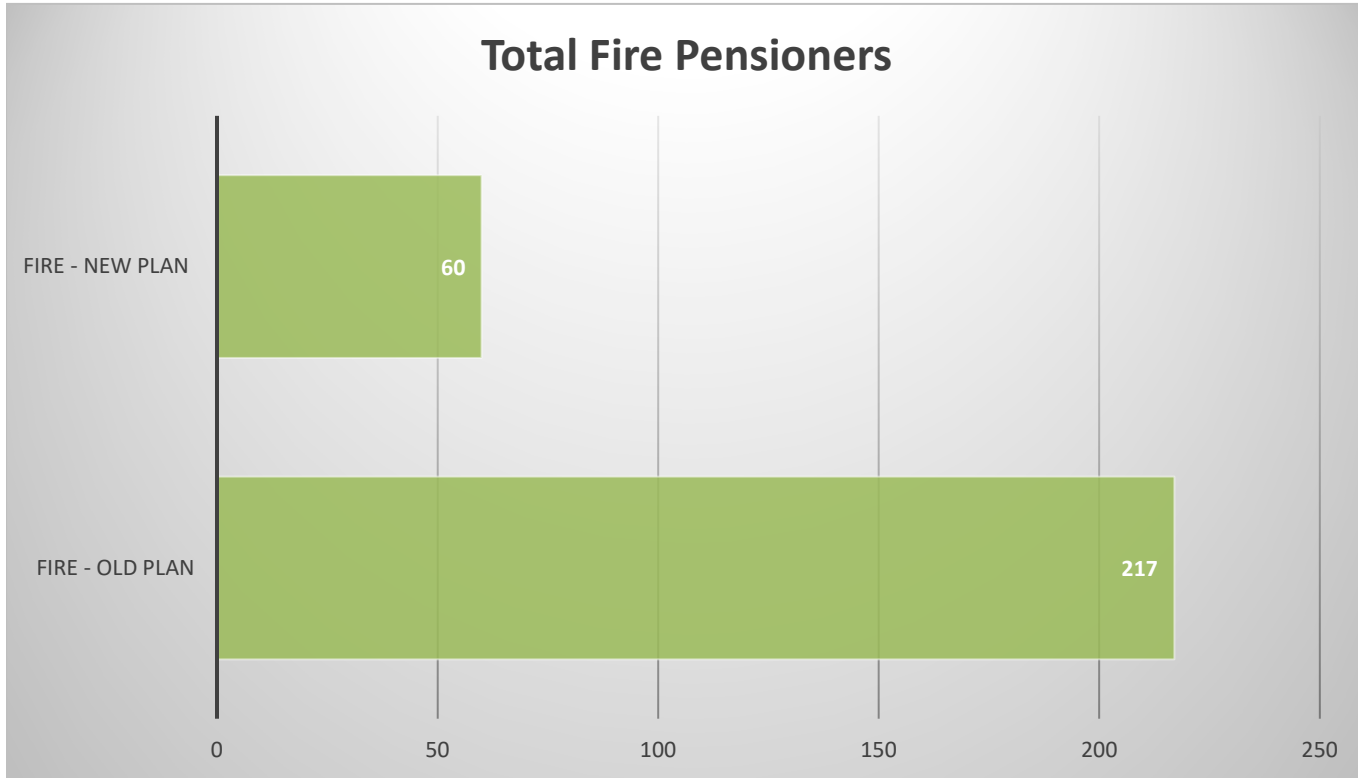
Old Plan:

- No maximum benefit
- Employee contributions are 6% of pretax salary (Prior to July 1, 1979, it 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
Errors & Omissions					✓
Reconciliation					✓
Records Management					✓
Standard Operating Procedures					✓

Errors & Omissions

1. Control weaknesses were identified for pension payments paid after death of pensioners and incorrect salary information was input into Munis. Four out of 56 (7%) payments were paid to survivors after death of the pensioner. Three of the overpayments were corrected with the beneficiaries; one of four remains as an overpayment. Three pensioners annual salary recorded in their employee records were incorrect in Munis Master File.

Reconciliation

2. Control weaknesses were identified during a review of the Pension reconciliation process. Currently there is no process in place for a secondary review of pension files or benefit calculations. It was previously noted in a prior year's audit that a limited review was performed by Treasurer's Department, however City Code does not grant the Treasury Department this authority and the Fire Pension Board was supposed to appoint someone to perform this responsibility.

Records Management

3. Control weaknesses were noted during the review of Fire Pension records such as required documents were either missing, not scanned into Tyler Content Manager (TCM) or inaccurate.

Treasury Inaccuracy Forms:

- Forty-two of 42 (100%) pension files reviewed had version control issues, due to a prior Treasurer being listed on current documents.

W4-P:

- Twenty (48%) had incorrect forms from a prior year.

Birth Certificates:

- Five (12%) birth certificates were missing.
- Four (10%) scanned documents were not legible.

Death Certificates:

- Four of 28 (14%) death certificates were missing.

No documentation in TCM:

- One sample had zero paperwork scanned into TCM for review.

Standard Operating Procedures

4. Based on a review of the prior year's audit report, this was a repeat finding which stated the policy and procedures manual did not exist. It was also mentioned on the Internal Control Questionnaire (ICQ) that the Fire Manual still does not exist.

The lack of written Standard Operating Procedures (SOPs) creates control weaknesses in the Fire Pension Process. Although, IA was advised that the CC is used as the manual, we believe there should be a detailed operating procedure manual for daily processes.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Best Practices for preventing pension overpayments are to process terminations as soon as possible.

In addition, Management will need to notify and submit all documentation to the appropriate employees timely to process the termination date.

Management response & action plan: The Pension Secretary is following the process as appropriate. When notification is made to the Pension office the deceased are deactivated in Munis within hours of notification. If a death is at the end-of-month there is no “stopping the payroll” run. It is out of the control of Pension Secretary and the Treasury Department. Although there is a process in place to retrieve funds paid by adjusting the survivor pension start date. In cases where a beneficiary dies, we are often not notified until weeks later. At time of notification the family is given instructions to return the payment. There are some instances where the Treasurer is able to retract the funds, but his department will have to respond to this process because the Treasurer advises the Pension Secretary if the payment has not been returned.

The Treasurer will investigate devising a formal City communication letter to be sent out by the Treasurer’s Office for overpayments disbursed after the death of a pensioner.

Completion Date: Completed

Recommendation #2: Best practices for reconciliations are to perform them monthly or quarterly and have a secondary reviewer other than the person inputting the data or performing the calculations. Management should also ensure that a reconciliation is performed for each new pensioner added.

Management response & action plan: Management will modify and reinstate the process (suspended 2016) of the Treasury Department’s review.

Completion Date: Completed

Recommendation #3: Best practice would be to include all attachments or footnotes to document corrections and adjustments to records. The Pension Secretary should also review and reconcile paperwork before it is stored in TCM, to ensure accuracy and completeness.

Management response & action plan: Treasury Inaccuracy Forms: Treasurer office has supplied updated form, will be used effective immediately.

W4-P: Current year Tax form will be verified before use.

Birth Certificates:

- Missing: ALL have been uploaded to Munis.
- Not Legible: due to copy supplied and quality of scanner no resolution for Munis. Official paper copy is filed in WFD Pension office. Moving forward, if a document is sent electronically, document will be uploaded from computer hard drive eliminating the need to manually scan document. New scanner was suggested for the Treasurer to obtain, in order to help improve the quality of paper documents scanned.

Death Certificates:

- (1) has been filed into Munis
- (3) Family has not been able to supply
- Moving forward I will improve the process of following up with families that are non-compliant.

No documentation in TCM

- (1) Documentation has been scanned into TCM

Completion Date: Completed

Recommendation #4: Management should ensure that employees have access to SOPs, to provide structure and guidelines within the department. This will help hold employees accountable for adhering to established rules within the department & provide sufficient information for the purpose succession training.

Management response & action plan: Pension Secretary will supply Standard Operating Procedures for WFD Pension Application process roles and responsibilities. In addition, Treasury Management will review and comment on SOPs for Munis system specific procedures.

Completion Date: Completed

Audit Team

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