



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

GASB 68 PENSION

REPORT # 298

NOVEMBER 6, 2015



November 6, 2015

The Honorable Sandra L. Murman, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Stacy R. White

Dear Chairman Murman and Commissioners:

The Audit Team performed an audit of the GASB 68 Pension (Audit Report # 298, November 6, 2015).

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Directors and personnel of the Human Resources and Payroll Departments during this audit.

Sincerely,

Steve Hooper, CIA, CGAP, CCSA, CFE
Interim Director of County Audit

CC: Mike Merrill, County Administrator
Bonnie Wise, Chief Financial Administrator
Eric Johnson, Director of Strategic Planning & Grants Management

Peggy Rowe, Director of Human Resources
Kevin Brickey, Management & Budget Office
Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy, Finance & Budget
Rachel Diny, Chief Deputy of Administration
Tim Simon, Director of County Finance
Michael Haselton, Director of Payroll
Manny Mangual, Director of Human Resources (Clerk)

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The primary objective of Governmental Accounting Standards Board Statement No.68 (GASB 68), *Accounting and Financial Reporting for Pensions*, is to improve accounting and financial reporting by state and local governments. The Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governments. These pension plans are administered through trusts or equivalent arrangements. GASB 68 became effective for fiscal years beginning after June 15, 2014.

For Hillsborough County, pensions are administered through the Florida Retirement System (FRS). Hillsborough County is one of many participants in the FRS. The following is a summary obtained from the FRS website of participants by category:

Category	Number of Participating Entities
State	57
County Agencies	396
School Boards	67
Community Colleges	28
Cities	189
Independent Hospitals	6
Special Districts	262
Other	12
TOTAL:	1,017*

**This includes the 23 cities, 5 independent hospitals, and 11 special districts that are closed to new FRS members as of January 1, 1996.*

Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. The FRS receives pension related data on the individual employees from the participating entities and provides it to the actuary. The actuary uses the employee data to produce a high-level summary report known as the Florida Retirement System Actuarial Valuation. This report provides the annual actuarial valuation of the FRS for assessing plan funded status and determining actuarially calculated contribution rates. The actuary's report does not contain pension related data on individual employees.

The Florida Auditor General audits the financial statements and the pension census data of the FRS. Pension census data includes, but is not limited to membership class, gender, date of birth, current pay, and date of hire.

OBJECTIVE

The objective of the audit was to verify the accuracy of employee pension census data reported to the FRS for employees under the Board of County Commissioners (BOCC) and the Clerk of the Circuit Court (COCC) organizations.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of this audit is the pension census data as of July 2015 for the employees under the BOCC and the COCC, which will be used in developing the FRS Actuarial Valuation as of July 1, 2015.

Scope Limitation

The County Audit Department staff does not interact with or transmit the GASB 68 pension data. Pension data for the County Audit Department staff is part of the GASB 68 data elements. To eliminate any actual or perceived bias, the County Audit Department staff, as of the time of audit testing, was excluded from the population of COCC employee.

OVERALL EVALUATION

Employees in the Payroll, County Human Resources, and Clerk Human Resources Departments were responsive to the Audit Team's inquiries and provided thorough information when requested. Data and other information were provided in a courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	The pension census data reported to the Florida Retirement System (FRS) in the August 2015 Retirement Report was accurately supported by the employees' personnel records.	4

OPINION

The control environment relative to reporting an employee's pension census data to the FRS is at the formal maturity level. Many controls have been defined and implemented. Pension census data reviewed as part of the audit sample and reported to the FRS is appropriately supported in the employee's personnel file.

The exit conference was held on October 28, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, former Director of County Audit
Steve Hooper, CIA, CGAP, CCSA, CFE, Interim Director of County Audit
Mary Ann Kominsky, CIA, CISA, CPA, Audit Manager
Margaret Brown, CIA, Senior Auditor
Marc Hogan, Auditor II

AUDIT COMMENT & RECOMMENDATION

AUDIT COMMENT 1

The pension census data reported to the Florida Retirement System (FRS) in the August 2015 Retirement Report was accurately supported by the employees' personnel records.

The objective was to verify the accuracy of the most recent pension census data reported to the FRS for employees under the BOCC and the COCC organizations.

Background

An FRS Retirement Report (Retirement Report) is submitted to the FRS each month by the Payroll Department. The Retirement Report contains pension census and payroll data on current employees, including employees participating in the Deferred Retirement Option Program (DROP). Temporary employees are not included on the Retirement Report.

Data on the Retirement Report includes the employee's name, social security number, gender, date of birth, FRS retirement plan code, work period code (regular pay, lump vacation, etc.), and the retireable gross pay for the month being reported.

Audit Test

The Audit Team identified the criteria used to determine which employees and data elements are submitted to the FRS and included in the actuary's calculations of pension liability. Of the data elements identified, the following were selected for verification: 1) hourly rate of pay, 2) annualized salary, 3) gender, 4) date of birth, 5) membership class, and 6) hire date.

Using files obtained from the Oracle Human Resources module, the populations were identified for BOCC and for COCC employees. A random sample of 30 employees was selected for testing [20 employees under the BOCC and 10 employees under the COCC].

For the sample of 30 employees, select data elements from the employees' personnel records in Oracle were compared to the data elements reported to the FRS by the Payroll Department in the monthly Retirement Report. At the time of audit testing, the most recent pension census data was for July 2015 and

reported by the Payroll Department to the FRS in the August 2015 Retirement Report.

Test Results

Of the 30 employees selected for testing, one was a temporary employee. Correctly, the temporary employee was not listed on the Retirement Report. For the remaining 29 employees tested, the employee's pension census data reported to the FRS on the August 2015 FRS Retirement Report was accurately supported by the employee's personnel records.

RECOMMENDATION

The audit test results did not identify any material concerns that require management's corrective actions.