



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF PENSION ADMINISTRATION CONTROLS

#### Report Highlights

#### Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

#### What We Found

Harford County's Pension Administration Controls are adequate and effective.

**Report Number:** 2018-A-07

**Date Issued:** 2/15/2018

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Pension Administration Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found Harford County has sufficient processes in place to ensure pension payments are correctly calculated and paid out appropriately.

Management has been provided an opportunity to respond to this report; the response provided follows the Review Results section of this report. The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks  
County Auditor

cc: Mr. Robbie Sandlass, Treasurer

#### **Audit Team:**

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM,  
CRMA

*County Auditor*  
Sarah Self  
*Staff Auditor*



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### REVIEW RESULTS

We have audited Pension Administration Controls for the period of 7/1/2015 through 6/30/2017 to confirm controls are adequate to ensure proper payments and compliance with relevant regulations and trust agreements for its pension plans.

Our opinion, based on the evidence obtained, is that the County has sufficient controls in place to ensure pension payments for Sheriff's Office Pension Plan (SOPP) and Volunteer Fire Fighters Length of Service Award Program (LOSAP) participants are accurately calculated and paid. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

| <b>Risk</b>   | <b>Expected Control</b>  | <b>Conclusion</b>                |
|---|--|----------------------------------|
| Payments are not calculated correctly                       | <ul style="list-style-type: none"><li>• SOPP payment amounts are calculated by an actuary based on reported payroll information</li><li>• LOSAP payment amounts are approved by a member of Treasury, outside of Payroll</li></ul> | Satisfactory<br><br>Satisfactory |
| VFC service earned is not correctly recorded                | <ul style="list-style-type: none"><li>• Service point totals are reviewed and approved by fire house chiefs annually and provided to the volunteers for review</li></ul>   | Satisfactory                     |
| Beneficiaries are enrolled without supporting documentation | <ul style="list-style-type: none"><li>• Eligibility documents are provided by HR or VFC for review and approval prior to creating a new payroll account</li></ul>  | Satisfactory                     |
| Actuarial estimates are incomplete or inaccurate            | <ul style="list-style-type: none"><li>• Complete payroll information is provided to actuaries</li></ul>  | Satisfactory                     |

### MANAGEMENT RESPONSE

Thank you for the opportunity to respond. Management has no response.

## **BACKGROUND INFORMATION**

### **PROGRAM DESCRIPTION AND KEY STATISTICS**

Harford County manages pension plans for the Sheriff's Deputies and Corrections Officers and Volunteer fire fighters. For participants in the Sheriff's Office Pension Plan (SOPP), the County uses an actuary to keep track of the contributions to the plan and each participant's years of service and to calculate the retirement benefit payments. Upon notice of retirement, the County requests a payment calculation from the actuary. For participants in the Length of Service Awards Program (LOSAP), the Volunteer Fire Companies (VFCs) are responsible for verifying the eligibility of its members and tracking their service years and points annually. Upon retirement, the VFCs provide this information to the County so that payment processing may begin. During the audit period, these processes managed monthly payments for 585 participants totaling approximately \$9.2 million.

### **REVIEW OBJECTIVE, SCOPE AND METHODOLOGY**

The audit focused on activity during the period of 7/1/2015 through 6/30/2017. Our audit procedures included interviewing personnel, observation and testing. Specifically, we performed data mining to confirm payment amounts, dates and frequency appeared reasonable. For a sample of plan participants, we recalculated service years to verify they agreed with the actuarial determined amounts. We reviewed participants eligibility information to verify their existence. In addition, we reviewed a list of RMS (the VFC activity tracking system) users to verify their access to files was reasonable. We also reviewed RMS generated reports of activity and annual points to confirm they properly totaled serviced points for the year.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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.