



## **Council Auditor's Office**

### **Follow-Up on Defined Contribution and Deferred Compensation Plans Audit**

#### **Report #815A**

**Released on:** January 4, 2022

**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



January 4, 2022

Report # 815A

Honorable Members of the City Council  
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #815, Defined Contribution and Other Deferred Compensation Plans, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to the Chief Administrative Officer on February 12, 2021, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify the responses. Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

<b>Types of Issues</b>	<b>Original Number of Issues</b>	<b>Issues Cleared</b>	<b>Remaining Issues</b>
Internal Control Weaknesses	4	3	1
Findings	6	5	1
Opportunities for Improvement	6	6	0
<b>Total</b>	<b>16</b>	<b>14</b>	<b>2</b>

The following is a brief summary of the remaining issues with responses from Diane Moser, Director of Employee Services, and Patrick "Joey" Greive, Director of Finance and Administration, that we received on December 9, 2021.

**Finding 1-3 \*Missing or Inappropriate Pension-Related Deductions\***

In the original audit, we noted three instances where pension-related deductions were not applied to employees' paychecks but should have been. All three instances were listed in the system generated exception reports used by the Accounting Division to identify pension-related deduction issues. We also noted instances where employees started off in positions that were eligible for Social Security and then transferred to positions that were not eligible for Social Security, but their pension-related

deductions were not adjusted in a timely manner. We recommended that the Accounting Division implement a written standard operating procedure that would describe how to address different error types in the exception reports. We also recommended that the Employee Services Department implement a control to ensure employees' pension-related deductions are adjusted in a timely manner when an employee switches positions.

During our follow-up testing, we found that the Employees Services Department had implemented a control to ensure timely adjustments to pension-related deductions when an employee switched positions. We also found that the Accounting Division had implemented a standard procedure to address different error types; however, we reviewed the most recent exception report and found two instances where an employee did not have any pension-related deduction (e.g., Social Security, OBRA, City pension) when they should have had one. Both instances were marked as reviewed by payroll staff. Therefore, we will follow-up in the future to verify the review is operating as it should.

### ***Management Response to the Follow-Up of Finding 1-3***

Agree

Disagree

Partially Agree

*Both employees in question were part-time school crossing guards with unique situations. Employee #1 was exempted from Social Security in error and has since been corrected. The reason for the error – the employee's primary assignment is that of a pensioner (City pensioners who return to work part-time are not subject to SS), however the pension she receives is actually a widow's pension, which means she is subject to SS withholding.*

*Employee #2 is a school crossing guard who switches assignments within the City periodically (several crossing guards during the school year also work seasonal summer jobs for KHA when school is not in session). It is best practice not to switch them back and forth between SS and a pension plan during the same calendar year, so they show up on the exception report (because their pension type does not match their BU during the seasonal assignment). In a sense, they are "exceptions to the exceptions" during the seasonal period. Additional management review and approval has been added to such unique situations.*

### **Supplemental Internal Control Weakness 3 \*Not Following City's Cash Receipts SOPs\***

In the original audit we found that Pension Office employees were not following the City's cash receipts standard operating procedures (SOPs). We recommended that the Pension Office establish a new process of handling incoming checks consistent with the instructions provided in the City's cash receipts SOPs. Additionally, the office should train staff on all updated processes.

During our follow-up testing, we noted that the Pension Office had implemented some new procedures that included handling incoming checks consistent with the instructions provided in the City's cash receipts SOPs and staff were trained on all updated processes. However, employees were still not performing monthly reconciliations between the checks received and the City's accounting system in accordance with the City's cash receipts SOPs. Not following all the City's cash receipts procedures could lead to various issues such as misappropriation of funds, unintentional errors related to the accounts funds are credited to, and loss of checks/payments. We recommend that the Pension Office continue to ensure that all City policies related to handling cash are followed.

***Management Response to the Follow-Up of Supplemental Internal Control Weakness 3***

Agree

Disagree

Partially Agree

*The Pension Office does confirm all deposits are processed accurately and completed using the Tax Collector's Cash Receipt (CR) system. Completed transactions on the CR system automatically post to the 1 Cloud accounting system. The Pension Office has added a step to the Cash Receipts and Deposits procedure to perform a monthly review of completed deposits to ensure the information posted in 1 Cloud matches the deposits completed from the log during the month and accurately reflects the nature of the transactions.*

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We would like to thank the Finance and Administration Department and the Employee Services Department for their cooperation in conducting this follow-up review.

Respectfully submitted,

*Kim Taylor*

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Council Auditor