



Internal Audit Office

Mayor
Dee Margo

City Council

District 1
Peter Svarzbein

District 2
Alexandra Anello

District 3
Cassandra Hernandez

District 4
Dr. Sam Morgan

District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz Perez

District 7
Henry Rivera

District 8
Cissy Lizarraga

City Manager
Tommy Gonzalez

DATE: November 1, 2018

TO: Robert B. Ash, Executive Director and Legal Advisor

FROM: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor

SUBJECT: Pension Payroll Recalculation Review

The Internal Audit Office has completed the Pension Payroll Recalculation Review. This engagement was accepted based on the engagement's potential to improve management of risks, add value, and/or improve the organization's operations (IIA 2010.C1). The work performed does not constitute an audit conducted in accordance with Generally Accepted Government Auditing Standards (GAS 2.12). The observations and conclusions that are reported in this memorandum do not require Management responses.

Background:

The City of El Paso Employees Retirement Trust processes all retirement applications and calculates the monthly payments that a retiree will receive for their lives based a number of factors. The Employees Retirement Trust is also responsible for processing contribution refunds to separated employees requesting a withdrawal of funds. In August 2018, the Employees Retirement Trust transitioned into using a Software System developed by the Pension Technology Group (PTG). The Software will be used by the City of El Paso Employees Retirement Trust to process payments for retirees.

Objectives:

The objectives of our review were to:

- Verify City of El Paso Employees Retirement Trust payments made to retirement recipients using PTG software are accurate,
- Verify City of El Paso Employees Retirement Trust withdrawal payments made using PTG software are accurate, and
- If applicable, identify any errors/discrepancies on calculations within a 90 day period to ensure complementary corrective action by Pension Technology Group.

Scope

Retirement and withdrawal payments made during the month of September 2018.

- As of September 27, 2018, the City of El Paso had 3,142 active retirement payment recipients. A sample of 30 retirement payment recipients was selected for review.
- For the month of September 2018, the City of El Paso Employees Retirement Trust completed 19 refunds to former employees withdrawing their contributions. A sample of 11 refunds was selected for review.

Our Pension Payroll Recalculation Review identified the following two observations:

Edmundo S. Calderón – Chief Internal Auditor
City 2 | P.O. Box 1890 | El Paso, Texas 79950 | (915) 212-0069

"Delivering Outstanding Services"



Internal Audit Office

OBSERVATION 1

Verification of Calculations

City of El Paso's Strategic Plan 2017:

- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.*

Payments made to retirement payment recipients using the PTG software are accurate. Withdrawal refunds using the PTG software are also accurate.

- 30 out of 30 (100%) retirement payment recipients' information transferred accurately from PeopleSoft into the PTG software.
- 30 out of 30 (100%) retirement payment recipients reviewed were paid the correct amount for the month of September 2018 based on prior calculations.
- 11 out of 11 (100%) withdrawal recipients reviewed were refunded the correct contribution amount. The PTG software is properly keeping track of all contributions and properly calculating interest accrued to employees accounts that earned interest.

RECOMMENDATION

The Employees Retirement Trust should continue to periodically review the PTG Software calculations for accuracy and verify that employee information transfers accurately from PeopleSoft into the PTG Software System.

OBSERVATION 2

Policies and Procedures

City of El Paso's Strategic Plan 2017:

- Goal 6.13 *Maintain systems integrity, compliance, and business continuity.*

Pension Administration Guide to Rules, Policies and Procedures, last revised January 2017 do not reflect the implementation of the PTG system. Please note that current procedures do exist that have been approved by the Board and are used by the Trust.

RECOMMENDATION

The Employees Retirement Trust should ensure the *Pension Administration Guide to Rules, Policies and Procedures* are updated to reflect the implementation of the PTG system.



Internal Audit Office

Conclusion

Based on the results of our review of the PTG software and Employee Retirement Trust records, we were able to determine that the calculations generated by the PTG Software is accurate. The Employees Retirement Trust can rely on the PTG Software calculations.

If you have any questions please feel free to contact me at extension 21365.

cc: Tomas Gonzalez, City Manager
Robert Cortinas, Chief Financial Officer
Financial Oversight and Audit Committee