

AUDITOR'S REPORT

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM FOR THE 12 MONTH PERIOD ENDED 12/31/2013



May 9, 2014

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HARRIS COUNTY AUDITOR

May 9, 2014

Mr. David Kester, Director
Human Resources & Risk Management
1310 Prairie, 4th Floor
Houston, Texas 77002

RE: Texas County and District Retirement System (TCDRS) Annual Engagement for the 12 month period ended December 31, 2013

The Audit Services Department performed procedures relative to the TCERS Annual Engagement for the 12 month period ended December 31, 2013. The objective of the engagement was to issue a letter to TCERS on whether the monthly retirement contribution reporting to TCERS is complete to fulfill the County's individual financial reporting responsibilities for the pension plan. Our procedures included the following:

- Selectively tested Monthly Reports to evaluate whether:
 - All eligible employees were enrolled in TCERS, and
 - The deposit reporting for all eligible employees was materially accurate and complete.

The engagement process included providing you with a combined engagement and scope letter and conducting an entrance conference with your personnel. The purpose of the letter and conference was to explain the process, identify areas of concern, describe the procedures performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations were verbally communicated to your staff.

Mr. David Kester, Director
Human Resources & Risk Management

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
R. Jack Cagle
El Franco Lee
Jack Morman
Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson

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OVERVIEW

TCDRS was created in 1967 by the Texas Legislature. TCDRS partners with Texas counties and districts to provide their employees with retirement, disability, and survivor benefits. TCDRS is governed by the Texas Legislature and is overseen by an independent board of trustees, which is responsible for the administration of the system. Each plan is funded independently by the county or district (employer contributions), its employees (employee contributions), and investment earnings.

As outlined in the County's Personnel Regulations for calendar year 2013, the County is a member of TCDRS. Commissioners Court determines and approves the amount of employee and employer contributions to TCDRS annually at its discretion. The County uses the Annually Determined Contribution Rate Plan to finance the retirement plan, and the cost is based on a number of factors, including the benefit options adopted by Commissioners Court and the results of an annual actuarial valuation of liabilities to finance these options. The Greater Harris County 9-1-1 Emergency Network (9-1-1) is also a TCDRS participant, and the County's Human Resources & Risk Management Department (HRRM) performs the monthly TCDRS calculation and payment to TCDRS for both the County and 9-1-1. HRRM enters all required TCDRS form data into the TCDRS secure online system directly.

To fulfill the compliance requirements of the Government Accounting Standards Board (GASB) Statement 50 for calendar year 2013, TCDRS requested an independent party send a letter confirming the completeness of the payroll data submitted for calendar year 2013. The letter must confirm that all eligible employees are enrolled in TCDRS and that the deposit reporting for these employees was complete. As such, HRRM requested Audit Services perform this independent review and submit a letter to TCDRS indicating the results of the review.

RESULTS

Based on the procedures performed covering the TCDRS monthly certifications for the 12 month period ended December 31, 2013, it appears that all qualified employees are enrolled and the deposit reporting for the employees is materially accurate and complete. As such, a letter confirming this was sent to TCDRS on April 4, 2014, as requested.

However, one opportunity for improvement was identified while performing the audit procedures. HRRM does not perform a monthly reconciliation of the amount paid to TCDRS and the amount recorded on the TCDRS 3A Retirement Contribution Certificate (*Certificate*).

This opportunity for improvement is discussed in more detail within the Issues and Recommendations matrix on the following page.

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
TCDRS Reporting	<p>Pursuant to Harris County Accounting Procedure D.4-8, <i>Texas County and District Retirement System (TCDRS) Monthly Report & Payment</i>, HRRM is responsible for preparing the <i>Certificate</i> for both the employer's and employees' pension contributions for the County and 9-1-1. Additionally, HRRM Management certifies that the <i>Certificate</i> is true and complete with regards to the retirement contribution amounts.</p> <p>HRRM obtains a file of the previous month's individual County and 9-1-1 employees' retirement contributions from the County's Information Technology Center. The file lists each employee's name, social security number, and contribution</p>	<p>HRRM does not perform a monthly reconciliation of the amount paid to TCDRS and the amount recorded on the <i>Certificate</i>. During testing, it was noted that the total amount paid to TCDRS was under-reported by \$1,360.29 on the March 2013 9-1-1 <i>Certificate</i> due to HRRM mistakenly excluding the contribution amount for one employee. Subsequent to our audit procedures, HRRM Management updated the March 2013 9-1-1 <i>Certificate</i> to include the correct amount that was paid to TCDRS.</p>	<p>HRRM Management should consider performing a monthly documented reconciliation of the contribution amount per the <i>Certificate</i> to the payment amount submitted to TCDRS to ensure the accuracy and completeness of the <i>Certificates</i>.</p> <p>In addition, HRRM should consider updating their internal policies and procedures to include this reconciliation.</p>	<p>HRRM agrees with the issue and the recommendation.</p> <p>HRRM will implement a monthly documented reconciliation of the contribution amount as listed on the <i>Certificate</i> with the payment amount submitted to TCDRS.</p> <p>In addition, we will update HRRM's internal policies and procedures to include this reconciliation.</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
	amount and is used by HRRM to complete the <i>Certificate</i> , before forwarding the file to TCDRS who uses it to update the account balances for all County and 9-1-1 Network employees.			