

RECENT AUDIT ISSUES



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Winter 2018



Areas To Be Covered

- Cash Management
- Member Contributions
- Regular Compensation
- Monthly Financial Packet
- Board Minutes
- Benefit Calculation



Cash Management

- Bank Reconciliations
 - Treasurer not performing the reconciliations
 - Stale outstanding checks (over 6 months)
 - Reconciling items that are carried for months/years
 - Reconciliations not signed or dated by preparer or reviewer



Cash Management *(Continued)*

- Investment Management Fees
 - Management fees were recorded net of income
 - Not accounted for in general ledger account #5304
 - Four quarters of fees not recorded in a year
 - Not properly accruing management fees at year end
 - Managers not listed on Schedule 7
 - No fee information listed on schedule 7



Member Contributions

- Base percentage (5, 7, 8, 9) rates incorrect
 - Incorrect start date of a transfer in
 - Member working in different units with different start dates
- Additional 2% contribution rate incorrect
 - Overlooked
 - Miscalculated
 - PERAC Memo #43/1999 - 2% withholding



Regular Compensation

- Items incorrectly included as compensation
 - Overtime
 - Bonuses
 - Allowance for cell phone
 - Uniform allowance
 - Retirement incentives
 - Sick and/or vacation payouts
 - Fees paid to an inspector



Regular Compensation *(Continued)*

- Items incorrectly excluded from compensation
 - Shift differential pay
 - Police & Fire holiday pay
 - On call pay
 - Stipends
 - Coaching
 - Beeper



Recommendation

- Keep an open dialog with the payroll coordinator at each of your units
- Discuss new payroll codes
- Board should be determining if compensation is pensionable or not, don't leave it up to the payroll coordinator



Payroll Review

- Annually review a full payroll register
 - Look at all units
 - Look for people who have no retirement deductions taken
 - Could be erroneously left out of the system
 - Are deductions taken for OBRA?
- How many Boards have read only access to the payroll system?



Pay Code Review

- Get a list of pay & deduction codes from large units
 - School and town usually have their own
- Does the listing of codes include if retirement is deducted?
- How clear are the pay names?
- Review the Collective Bargaining Agreements, these should be in the retirement office



Deduction Code Review

- Base deductions and 2% usually have separate “deduction codes”
- Payroll system can print out a list of what pay types are subject to which deduction
- We have seen cases where the pay codes are subject to some, but not all of the deductions



Monthly Financial Packet

- Should consist of:
 - Cash reconciliation (including bank statement and outstanding check list)
 - Monthly accounting (trial balance, cash receipts, cash disbursements, adjusting journal entries)
 - Budget to Actual Expense Comparison (if not monthly, quarterly)
 - Cash Flow Forecast



Board Minutes

- Missing minutes of open and/or executive session meetings
- No indication in the minutes that a financial packet was made available to the Board for review and what it consisted of
- No vote to accept the minutes of the previous meeting
- Roll call protocol not being followed during remote participation and/or executive sessions



Benefit Calculations

- Payroll information not included in folder
- Deduction reports, instead of payroll, used in calculations
- Anti-Spiking: no explanation as to why an exception applies
- Items incorrectly included or excluded from regular compensation
- Documentation not included in folder
 - Birth certificates of retiree or beneficiary
 - Marriage certificate

Questions?

- Contact Information:

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