

MACRS

RECENT AUDIT TOPICS



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MACRS 2016 FALL CONFERENCE



"It's safe to come out - the auditors have gone."

Overview

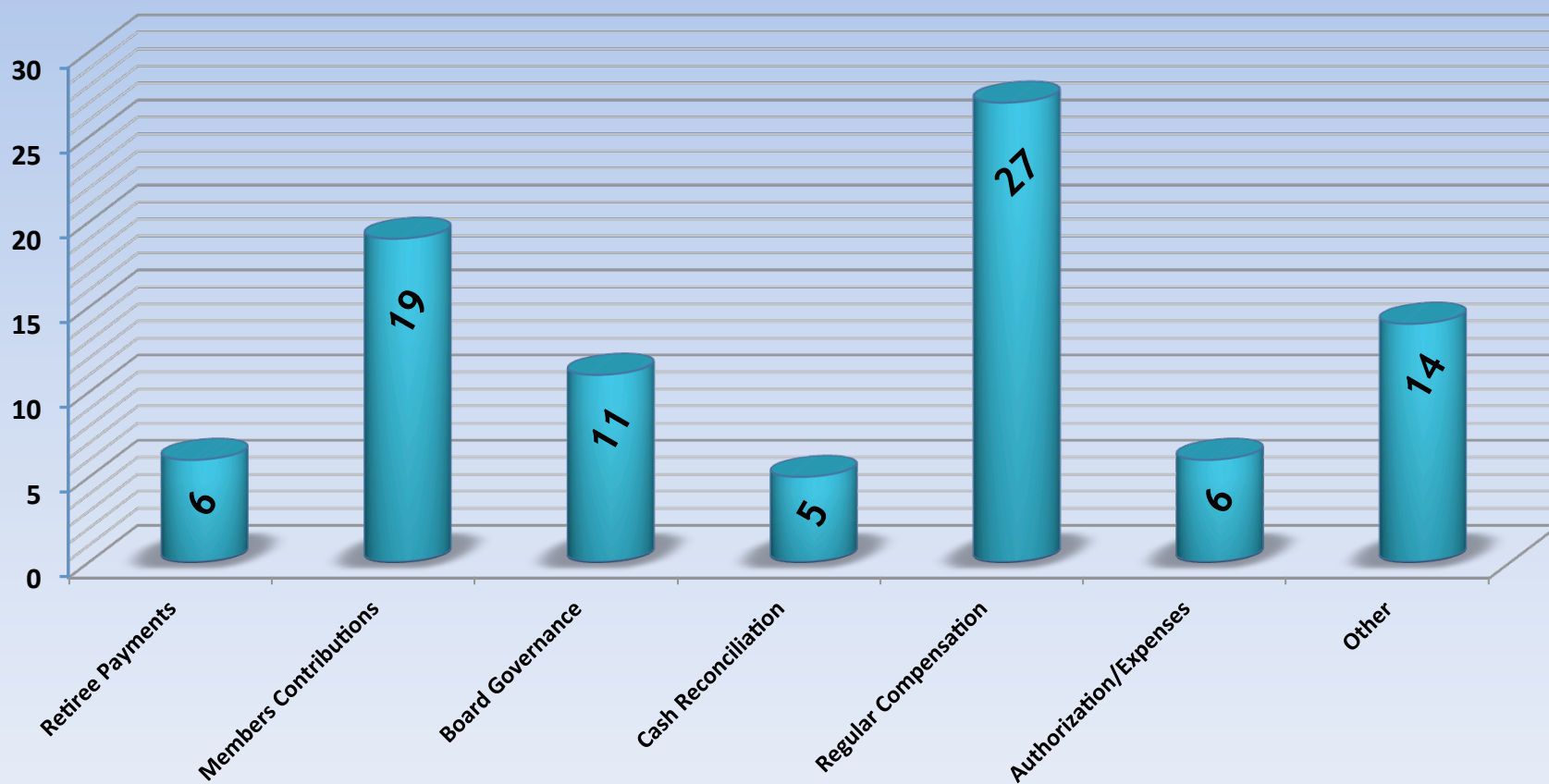
- Results of recent audits
- Common issues identified
- Recommendations/best practices
- Questions



Recent Audit Topics

- Results of the 35 audits issued or conducted since January 2016
- 25 of the 35 audit reports contain findings
- 88 total issues, broken into 7 categories
 - Retiree payments
 - Members contributions
 - Board governance
 - Cash reconciliations
 - Regular compensation
 - Authorization/expenses
 - Other (3 or less issues each)

PERAC Audit Issues



Recent Audit Topics *(continued)*

- Other Category Includes:
 - Refunds
 - Investment accounting and reporting
 - Military service fund
 - Annuity saving fund/supplemental membership schedule
 - Retiree affidavits
 - 3 (8)(c) billing
 - Pension appropriations

Cash Reconciliation Topics

- Section 23(2)(a): “county, city, or town treasurer... shall be the treasurer-custodian of the system...”
- The Treasurer is not performing the reconciliations on a monthly basis which leads to long periods without reconciliations being performed before the Treasurer brings it up to date
- Cash reconciliation includes reconciling items that are carried for months

Cash Reconciliation Recommendations

- Reconciliations should be prepared by the Treasurer monthly
- All reconciling items should be reviewed and cleared by the next month
- Reconciliations should be included in the monthly financial packet that is reviewed by the Board each month

Cash Reconciliation Recommendations

(continued)

- Monthly Financial Packet should include:
 - cash reconciliation (including bank statement and outstanding check list)
 - accounting for the month (trial balance, receipts journal, disbursements journal, journal entries)
 - budget-to-actual comparison
 - custodial and/or manager statements

Board Governance Topics

- Monthly reporting packets are not being provided to the Board for review at the monthly meeting
- Board meeting attendance
- Board minutes not being approved
- Executive Session minutes
- Remote participation at Board meetings
 - <http://www.mass.gov/ago/government-resources/open-meeting-law/>

Member Contributions Topics

- Base percentage (5,7,8,9) rates incorrect
- Additional 2% contribution rate miscalculated or overlooked
 - PERAC Memo #43/1999 - 2% withholding

Regular Compensation Topics

- Contributions not being deducted from qualified compensation
 - Shift differential pay
 - On call pay
 - Police & Fire holiday pay
 - Stipends

Regular Compensation Topics *(continued)*

- Contributions being deducted from non-qualified compensation
 - Motor vehicle allowance/mileage expenses
 - Uniform allowance
 - Moving expenses
 - Fees paid to an inspector
 - Bonuses



Standard Recommendation

- Board staff should review a full payroll register annually (at least)
- Look at all units
- Get a list of pay codes from “large” units
 - school and town usually have their own
- Review all Collective Bargaining Agreements
 - PERAC Memo #36/2011 - Chapter 176 of the Acts of 2011: An Act Providing for Pension Reform and Benefit Modernization (Non-Governance Provisions)

Pay Code Review

- Does the listing of codes include if retirement is deducted?
 - See PERAC Memo #33/2011 for guidance
- How clear are pay names?
- Contracts should be in 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
- Confirm the base 5, 7, 8, 9% is deducted, and also the 2% over \$30,000

**I ♥
Being
Audited**

Questions?

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