

<p>Date: January 9, 2019</p> <p>To: Cheresé Chery, Director, Department of Human Resources</p> <p>From: Joseph Caruso, CPA, Deputy Chief Auditor Craig S. Trujillo, Chief Auditor</p> <p>Tele: (860) 757-9955 (860) 757-9952</p>		<p>City of Hartford Department of Human Resources Employee Pension Contribution Audit Report 1909</p>
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I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2019, we completed an examination in December 2018 of the City of Hartford Department of Human Resources (HR) Employee Pension Contributions. The purpose of the examination was to evaluate and test internal accounting and operating controls, the accuracy and propriety of transactions processed, the degree of compliance with established operating policy and procedures, and to recommend improvements where required. The results of our examination were reviewed with C. Chery, Director, Department of Human Resources; and, other responsible members of operating management. The summary which follows includes exceptions disclosed and recommended operating improvements. Management has also noted actions taken or planned including time periods to resolve each finding and/or recommendation in this report. We thank Department of Human Resources management and staff for their cooperation and courtesies extended to us during our audit.

We found that employee pension contribution deductions were accurate and in accordance with applicable union contracts and the Municipal Code. We did note five City employees' deductions were approximately \$1,560 less than required. HR management needs to recoup the underpaid employee pension contributions. HR also needs to correct these 5 employees' pension contribution withholding rates within MUNIS.

Background

All full-time City of Hartford (City) employees, with the exception of those in the unclassified service, must participate in the Municipal Employees Retirement Fund (MERF). Participants must contribute a percentage of their earnings to the MERF each pay cycle. The percentage of earnings that each employee must contribute to the MERF is stipulated in bargaining unit agreements and the Municipal Code. During the fiscal years ended June 30, 2018 and 2017, City employees contributed approximately \$9.8M and \$7.9M, respectively, to the MERF.

Scope

The scope of our audit included various tests of approximately 1,500 City employee pension contributions from January 1, 2017 through October 19, 2018. The following audit procedures were performed:

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- Reviews of union contracts and the City Municipal Code;
- Examination and tests of employee pension contribution rates and calculations;
- Tests of pension contribution payments made to the MERF;
- Reviews of pension files for employee contribution adjustment and payback agreements; and,
- Reviews of job change documentation noting transfers of employees from one union to another.

II. Detail Findings

Various tests of employee pension contributions and reviews of related operations disclosed that four employees in the HMEA union were not paying the correct amount in accordance with the HMEA contract. Approximately \$940 needs to be repaid back to the City. Also, one employee in the CHPEA union was not paying the correct pension contribution amount as stated in the CHPEA contract. Approximately \$620 needs to be repaid back to the City. These were all clerical errors. We recommend that HR management take action to set up a repayment plan with these five City employees to recoup the \$1,560 in underpaid employee pension contributions and correct the pension withholding code in MUNIS.

Management Response

Due Date: January 31, 2019

Responsible Persons: Cherese Chery, Director, Department of Human Resources

We agree with the audit findings and we have taken the necessary actions as recommended by the auditors.

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