



Cobb County...Expect the Best!

INTERNAL AUDIT DIVISION

Report Number 2013-011

***FINAL Supplemental Letter Report -
Vested Pension Payments***

September 12, 2013

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COBB COUNTY INTERNAL AUDIT

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Division Manager

September 12, 2013

MEMORANDUM

TO: David Hankerson, County Manager

FROM: Latona Thomas, CPA, Manager 

SUBJECT: **FINAL** Supplemental Letter Report – Vested Pension Payments

During our Review of the Controls over Non-Vested Pension Refunds from the Cobb County Government Employees' Pension Plan (the Plan)¹, we noted two additional participant groups where the lack of adequate procedures and controls to identify participants could result in delayed or non-payment of refunds or monthly pensions. One group is deceased vested participants, and the other is inactive vested participants who were eligible for retirement benefits. See the above referenced report for additional background information.

Deceased Vested Participants

A refund of the employee's accumulation is due to the designated beneficiary or estate of any vested participant who dies prior to commencing benefits, provided there is not a spouse eligible for a preretirement death benefit. A refund is also due to the beneficiary or estate if a participant dies after commencing benefits and there is not an optional form of payment in place.² The refund amount would be equal to the employee's accumulation less the amount of benefits paid prior to death.

We reviewed a list of vested participants who died since 2008 to determine if a refund of their pension contributions was due and had been paid or set up to be paid to their beneficiary or estate. Of the 44 participants identified, using two reports, we found that a refund or monthly benefit was paid or in process to be paid for each one. Human Resources staff determines if a payout is due when they are notified of the death and includes it as a step in their Death Procedures Checklist; however, there is not a control to ensure that all refunds due are identified and paid.

¹ Report Number 2013-010, dated 9/12/2013.

² Contingent Pensioner and Years Certain benefit payment options.

Vested and Age Eligible Participants

Participants who are vested in the plan are eligible to receive pension benefits upon their normal retirement date. Traditional Participants³ will attain their normal retirement date at age 65. Hybrid Participants⁴ will attain it on their unreduced social security retirement date⁵ in effect on the date of their retirement.

We obtained a list of inactive, vested participants who had reached their normal retirement date but were not yet collecting benefits. Active employees over age 65 were excluded as their benefits will commence immediately upon separation from service. As of May 10, 2013, we noted eight participants who reached their normal retirement date and an additional seven that would attain it by the end of calendar year 2013. Upon separation from service, vested participants receive County correspondence indicating the County will contact them 30 to 60 days prior to their 65th birthday. There are no documented procedures or controls to ensure this contact occurs and the process was not consistently performed.

All disbursements from the pension account need to be identified and settled in a timely manner to ensure eligible participants are receiving their benefits, liabilities are being met, and to allow accurate data for planning purposes.

Recommendations:

The Human Resources Director should:

Recommendation 1: Develop, implement, and document a process to ensure pension benefits or refunds are paid on behalf of all eligible participants in the event of their death.

Auditee Response: Concur

Human Resources will develop and implement a standard operating procedure for pension benefits or refunds as a result of the death of a participant or beneficiary. An HR Manager will be assigned this task to be completed by January 1, 2014.

Recommendation 2: Develop, implement, and document the process for contacting inactive vested participants to initiate their pension payments. This process should include the time frame of when the person should be contacted and the steps needed to locate the individuals. An HR Manager should periodically monitor the process to ensure it is being completed on a consistent basis.

Auditee Response: Concur

Human Resources will develop and implement a standard operating procedure for pension benefits or refunds as a result of the death of a participant or beneficiary. An HR Manager will be assigned this task to be completed by January 1, 2014.

Attachment

³ A Traditional Participant is one who had seven or more years of service as of Dec 31, 2009 or had less than seven years as of Dec 31, 2009 and did not elect to be a Hybrid Participant.

⁴ A Hybrid Participant is one who was either hired or rehired without restored service on or after Jan 1, 2010 or had less than seven years of service as of Dec 31, 2009 and elected to become a Hybrid Participant.

⁵ The unreduced social security retirement date varies depending on the year of birth.

Distribution:

Tony Hagler, Human Resources Director
Jim Pehrson, CPA, Finance Director/Comptroller
Cobb County Audit Committee
Internal Audit Division File

Auditee Response



Anthony B. Hagler
Director

MEMORANDUM

DATE: September 6, 2013

TO: Latona Thomas, CPA, Manager, Internal Audit 

FROM: Tony Hagler, Human Resources Director

SUBJECT: Response to the Internal Audit Division's Draft Report – Supplemental Letter Report – Vested Pension Payments

This memo is in response to the subject report dated August 16, 2013. The review noted two additional pension participant groups that need additional controls to identify payments and refunds due. You made recommendations and our response to those recommendations are provided below.

The Human Resources Director should:

Recommendation 1: Develop, implement, and document a process to ensure that pension benefits or refunds are paid for on behalf of all eligible participants in the event of their death.

Response: Concur

Human Resources will develop and implement a standard operating procedure for pension benefits or refunds as a result of the death of a participant or beneficiary. An HR Manager will be assigned this task to be completed by January 1, 2014.

Recommendation 2: Develop, implement, and document the process for contacting inactive vested participants to initiate their pension payments. This process should include the time frame of when the person should be contacted and the steps needed to locate the individuals. An HR Manager should also periodically monitor the process to ensure it being completed and on a consistent basis.

Response: Concur

Human Resources will develop and implement a standard operating procedure for pension benefits or refunds as a result of the death of a participant or beneficiary. Man HR Manager will be assigned this task to be completed by January 1, 2014.