SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

ITEM
2.16
(ID # 5151)

MEETING DATE:
Tuesday, December 12, 2017

FROM : HUMAN RESOURCES:

SUBJECT: HUMAN RESOURCES: Independent Auditor's Report on Internal Control over Financial Reporting Standards; County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan – Annual Report, Dated June 30, 2015; County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan – Management Letter, Dated June 30, 2015 and Status of Prior Year Findings and Questioned Costs - Update with Current Status as of September 30, 2017, All Districts. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the Independent Auditors Report: County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan Annual Financial Report as of June 30, 2015 (Attachment C).
2. Receive and file the Independent Auditor's Report: County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan Management Letter as of June 30, 2015 (Attachment B).
3. Receive and file the Statement on Auditing Standard 114 Letter (SAS 114) dated August 8, 2017 (Attachment A).

ACTION: Consent

Michael Stock, Assistant CEO/Director of Human Resources 10/4/2017

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Jeffries and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes:	Jeffries, Tavaglione, Perez and Ashley
Nays:	None
Absent:	Washington
Date:	December 12, 2017
xc:	H.R.

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$ 0	$ 0	$ 0	$ 0
NET COUNTY COST	$ 0	$ 0	$ 0	$ 0

SOURCE OF FUNDS: N/A	**Budget Adjustment:** No
	For Fiscal Year: 2014-15

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

The County's Part-Time and Temporary Employees' Retirement Plan (the Plan) was audited by Brown Armstrong, a certified public accounting firm. The audit consisted of auditing the financial statements for the Plan for the fiscal year ending June 30, 2015. Brown Armstrong issued their finalized report, dated August 8, 2017. The Plan audit provides assurance that the financial statements are presented fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2015.

The external auditors also report through the management letter on internal control over financial reporting, compliance and other matters, the actual audit findings, and the Plan's response to the findings.

Finally, the external auditors must communicate, with those charged with governance, matters related to the financial statement audit that in the auditor's opinion are significant and relevant. The SAS 114 report is attached and delineates these items.

The results of the audit did not note any transactions entered into and by the Plan during the year reflecting a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The audit did not find any material weaknesses, but did identify certain deficiencies in internal control. The deficient findings were provided to and reviewed by management. Recommendations were suggested by the auditors. Management agreed with and implemented the recommendations of the auditor to ensure proper operation and compliance of the Plan.

Impact on Residents and Businesses

There is no impact on the residents or businesses of the County.

ATTACHMENT A. County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan – Annual Financial Report as of June 30, 2015

ATTACHMENT B. County of Riverside Part-time and Temporary Employees' 401(a) Retirement Plan – Management Letter dated June 30, 2015

SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

ATTACHMENT C. Statement on Auditing Standard 114 Letter (SAS 114) dated August 8, 2017

ATTACHMENT D. Status of Current Year Findings and Questioned Costs - Management Response as of September 2017

Lani Sioson

Lani Sioson 12/4/2017

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES'
401(a) RETIREMENT PLAN
JUNE 30, 2015

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) as of June 30, 2015, and the related Statement of Changes in Fiduciary Net Position for the year then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2015, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2017, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
August 8, 2017

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015

	2015
	Defined Benefit Pension Plan
Assets	
Cash and Cash Equivalents	$ 195,500
Contributions Receivable	103,963
Other Assets	85,820
Investments, at Fair Value	
Mutual Funds	31,493,595
Total Assets	31,878,878
Liabilities	
Accounts Payable	-
Total Liabilities	-
Fiduciary Net Position Restricted for Pension Benefits	$ 31,878,878

The accompanying notes are an integral part of these financial statements.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Additions	
Contributions	
Employers' Contributions	$ 606,694
Members' Contributions	1,266,962
Total Contributions	1,873,656
Net Investment Income (Loss)	
Net Appreciation (Depreciation) in Fair Value of Investments	(1,837,783)
Realized Gain	1,345,334
Interest and Dividends	623,655
Net Investment Income	131,206
Total Additions	2,004,862
Deductions	
Benefit Payments	1,511,284
Administrative and Other Expenses	
General Administrative Expenses	100,000
Trust Fees	117,041
Total Administrative and Other Expenses	217,041
Total Deductions	1,728,325
Changes in Fiduciary Net Position	276,537
Fiduciary Net Position Restricted for Pension Benefits	
Beginning of Year	31,602,341
End of Year	$ 31,878,878

The accompanying notes are an integral part of these financial statements.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION

Plan Description

The County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) is the public employee retirement system established by the County of Riverside (County) to provide retirement benefits to eligible employees as a substitute for benefits under social security. The Plan is an Internal Revenue Service (IRS) Section 401(a) defined benefit plan. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank (the Trustee) as the Plan's investment consultant, investment manager, and trustee. The County also developed the County of Riverside Deferred Compensation Advisory Committee (the Committee) to oversee the Plan and the Trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value.

Benefits Provided

Retirement benefits are determined as 2% of the employee's compensation and payable as a single life annuity. The eligible retirement age is 65. Participants are immediately 100% vested in the Plan upon enrollment. Benefits are payable for the life of the employee only. The normal retirement benefit is accrued to the date of termination. A lump sum distribution is paid if the actuarial equivalent benefit is less than $5,000. Actuarial Equivalence for this purpose is based on the greater of the factor produced under the UP1984 unisex mortality table at 6% or the applicable mortality table and interest rate under 417(e).

Membership Summary

At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	213
Inactive employees entitled to but yet receiving benefits	7,188
Active employees	1,884
Total	9,285

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are presented on the accrual basis of accounting. Employer and employee contributions that should have been made in the fiscal year based on the actuarially determined contribution rates or amounts are recognized as revenues of that fiscal year. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Reporting Entity

The Plan, governed by the County Board of Supervisors and considered as an independent entity, is a blended component unit of the County in accordance with Statement No. 14, as amended by Statement No. 39 and amended further by Statement No. 61, of the Governmental Accounting Standards Board (GASB). The Plan's annual financial statements are included in the County's financial reports as a pension trust fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Plan's cash and short-term investments are managed by U.S. Bank.

Method Used to Value Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded mutual funds with equity and and fixed income strategies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at June 30, 2015.

Securities Transactions and Related Investment Income

Securities transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

Pursuant to GASB Statements No. 25 and No. 26, realized gains and losses on investments sold during the year are not displayed separately in the financial statements. Instead, the realized gains and losses, along with unrealized gains and losses on investments, are reported as "net appreciation/(depreciation) in fair value of investments."

The realized gain/(loss) on the sale of securities was computed as the difference between the proceeds of sale in 2014 and the carrying cost of the securities at June 30, 2015, or the original cost of the securities acquired during 2014. The calculation of realized gains/(losses) is independent of the calculation of net appreciation/(depreciation) in fair value of investments. Unrealized gain/(loss) on investments sold in the current year that had been held for more than one year were included in the net appreciation/(depreciation) reported in prior years and the current year.

Contribution Receivable

County and member contributions made in the following year for the current year were accrued in accordance with accounting principles generally accepted in the United States of America.

Implementation of Current Accounting Standards

GASB Statement No. 66 – In March of 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.* The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standard Board (FASB) and American Institute of Certificated Public Accountants (AICPA) Pronouncements.* GASB Statement No. 66 is effective for periods beginning after December 15, 2012.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Current Accounting Standards (Continued)

GASB Statement No. 67 – In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The objective of this statement is to improve financial reporting by state and local governmental pension plans. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 67 amends the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. GASB Statement No. 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 70 – In October of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB Statement No. 70 is effective for periods beginning after June 15, 2013. The Plan has elected not to early implement this statement.

Future Accounting Standards

GASB Statement No. 68 – In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. The statement also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. GASB Statement No. 68 is effective for periods beginning after June 15, 2014.

GASB Statement No. 69 – In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. GASB Statement No. 69 is effective for periods beginning after December 15, 2013.

GASB Statement No. 71 – In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 is applied simultaneously with the provision of GASB Statement No. 68.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Standards (Continued)

GASB Statement No. 72 – In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is effective for periods beginning after June 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 73 – In June of 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB Statement No. 73 is effective for periods beginning after June 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 74 – In June of 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans.* The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 74 is effective for periods beginning after June 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 75 – In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 is effective for periods beginning after June 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 76 – In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to identify in the context of current governmental financial reporting environment the hierarchy of accounting principles generally accepted in the United States of America. The "generally accepted accounting principles hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with accounting principles generally accepted in the United States of America and the framework for selecting those principles. GASB Statement No. 76 is effective for periods beginning after June 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 77 – In August of 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures.* The objective of this statement is to assure financial statements prepared by state and local governments in conformity with accounting principles generally accepted in the United States of America provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. GASB Statement No. 77 is effective for periods beginning after December 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. The Plan has elected not to early implement this statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Standards (Continued)

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. The Plan has elected not to early implement this statement.

GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. The requirements of this statement are effective for reporting periods beginning after June 15, 2016. The Plan has elected not to early implement this statement.

GASB Statement No. 81 – Irrevocable Split-Interest Agreements. The requirements of this statement are effective for periods beginning after December 15, 2016. The Plan has elected not to early implement this statement.

GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The Plan has elected not to early implement this statement.

NOTE 3 – CASH AND CASH EQUIVALENTS

The carrying value of cash and cash equivalents at June 30, 2015, consists of the following:

	2015 Amount
Cash	$ 15,618
Money Market Fund	179,882
Total Cash and Cash Equivalents	$ 195,500

NOTE 4 – INVESTMENTS

The Plan owned the following investments at June 30, 2015:

	2015 Fair Value
Investments-Categorized	
Mutual Funds	
Equity	$ 21,502,731
Fixed Income	9,990,864
Total Investments-Categorized	$ 31,493,595

NOTE 4 – INVESTMENTS (Continued)

GASB Statement No. 40, *Deposits and Investments Risk Disclosures,* establishes and modifies disclosure requirements related to the following:

- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Interest rate risk
- Foreign currency risk

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan is limited to credit risk due to the nature of the investments in mutual funds.

Custodial Credit Risk – The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, the Plan will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Plan's name, and held by the counterparty. The Plan's investment securities are not exposed to custodial credit risk because all securities are held by the Plan's custodial bank in the Plan's name, or by other qualified third party administrator trust accounts.

Concentration of Credit Risk – This risk represents the potential loss attributable to the magnitude of the Plan's investments in a single issuer. As of June 30, 2015, the Plan did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. The Plan is not subject to interest rate risk as the Plan is not invested directly in any fixed income portfolios.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. The Plan may invest in global mutual funds but they are still traded on the U.S. stock market in U.S. dollars in accordance with their investment guidelines pertaining to these types of investments.

Summary of Investment Policy

The Committee established Investment Policies in accordance with applicable local, State, and Federal laws. The Committee exercises authority and control over the management of the Plan's assets by setting policy which the Trustee executes either internally or through the use of external prudent experts. The Committee oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Maintain an appropriate asset allocation based on a total return policy that is compatible with the County's policies, while still having the potential to produce positive real returns.

NOTE 5 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless Plan benefit provisions are changed. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future, therefore actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

NOTE 5 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (Continued)

Contribution rates are calculated by the actuary using the Entry Age Normal Funding Method (Cost Method) and the Market Value of Assets Valuation Method. The required contribution rates are expressed as a percentage of covered payroll. The 2015 contribution rates were determined using the actuarial valuations performed as of July 1, 2014.

Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 1, 2014 valuation, the County's current required contribution rate is 0.5%, however, the County elected to contribute 1.6% of payroll in order to obtain a 90.0% target funded ratio within 5 years. The Plan's current funded ratio is 80%. The Plan actuary annually calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS

Net Pension Liability

The Plan is a single-employer pension plan with a reporting date of June 30, 2015. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2015, and the Total Pension Liability as of the valuation date, July 1, 2014, updated to June 30, 2015. There were no significant events between the valuation date and the measurement date so the updated procedures only include the addition of service cost and interest cost offset by benefit payments. Beginning of the year measurements are also based on the actuarial valuation as of July 1, 2014. Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year.

The net pension liability (i.e., the pension plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

	Increase (Decrease)		
Plan	**Total Pension Liability (a)**	**Pension Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balance at June 30, 2014	$ 29,744,643	$ 31,602,341	$ (1,857,698)
Changes for the Year:			
Service cost	1,511,755	-	1,511,755
Interest	1,983,322	-	1,983,322
Changes of benefits	-	-	-
Changes of assumptions	2,939,020	-	2,939,020
Differences between expected and actual experience	795,023	-	795,023
Contributions - employer	-	606,694	(606,694)
Contributions - employee	-	1,266,962	(1,266,962)
Net investment income	-	131,206	(131,206)
Benefit payments, including refunds of employee contributions	(1,511,284)	(1,511,284)	-
Administrative expenses	-	(217,041)	217,041
Net Changes	5,717,836	276,537	5,441,299
Balance at June 30, 2015	$ 35,462,479	$ 31,878,878	$ 3,583,601

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

Actuarial Methods and Significant Assumptions

The Plan retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor the Plan's funding status and to establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include Plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status), and changes in Plan provisions or applicable law. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

The total pension liability for the pension plan was determined by actuarial valuation as of July 1, 2014, and accepted actuarial procedures were applied to roll-forward the total pension liability to June 30, 2015. Key methods and assumptions used in the latest actuarial valuations as of July 1, 2014, are presented below:

Valuation Date	July 1, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-Dollar Projected Payroll
Remaining Amortization Period	19-year Amortization of Unfunded Liability, plus Normal Cost, less expected Employee Contributions
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80% - 120% Asset Corridor
Actuarial Assumptions:	
Discount Rate	6.0% (net of administrative expense)
Projected Salary Increases	3.00%
Salary Growth	3.00%
Mortality	*Actives* RP-2014 combined annuitant/non-annuitant mortality table with generational *Full-Time Actives (no longer accruing benefits)* Mortality rates are based on the most recent CalPERS mortality table developed in the 1997-2011 CalPERS Experience Study, with generational future improvements using scale MP-2014

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

Changes in Assumptions and Methods Since the Prior Valuation

1) Funding interest rate decreased from 6.5% to 6.0%

2) Lump sum interest rate decreased from 6.0% o 5.0%

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Cash	1.22%	3.20%
U.S. Equities	67.52%	9.70%
Fixed Income	31.26%	3.70%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projected cash flow used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of June 30, 2015, calculated using the discount rate of 6.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate:

	1% Decrease (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Total Pension Liability	$ 41,528,741	$ 35,462,479	$ 30,708,107
Pension Plan Fiduciary Net Position	31,878,878	31,878,878	31,878,878
Collective Net Pension Liability	$ 9,649,863	$ 3,583,601	$ (1,170,771)
Fiduciary Net Position as a Percentage of the Total Pension Liability	76.8%	89.9%	103.8%

Money-Weighted Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on investments, net of investment expense, was 0.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 – SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through August 8, 2017, the date on which the financial statements were available to be issued. There are no pending subsequent events noted.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2015

Measurement Period	June 30, 2015*	June 30, 2014*
Total Pension Liability		
Service cost	$ 1,511,755	$ 1,556,594
Interest (includes interest on service cost)	1,983,322	1,800,053
Change of benefit terms	-	-
Differences between expected and actual experience	795,023	1,146,168
Changes of assumptions	2,939,020	-
Benefit payments, including refunds of employee contributions	(1,511,284)	(1,761,676)
Net Change in Total Pension Liability	5,717,836	2,741,139
Total Pension Liability - Beginning	29,744,643	27,003,504
Total Pension Liability - Ending (a)	$ 35,462,479	$ 29,744,643
Fiduciary Net Position		
Contributions - employer	$ 606,694	$ 955,554
Contributions - employee	1,266,962	1,394,450
Net investment income (loss)	131,206	4,437,066
Benefit payments, including refunds of employee contributions	(1,511,284)	(1,761,676)
Administrative expenses	(217,041)	(227,581)
Net Change in Fiduciary Net Position	276,537	4,797,813
Fiduciary Net Position - Beginning	31,602,341	26,804,528
Fiduciary Net Position - Ending (b)	$ 31,878,878	$ 31,602,341
Fiduciary Net Pension Liability - Ending (a)-(b)	$ 3,583,601	$ (1,857,698)
Fiduciary Net Position as a Percentage of the Total Pension Liability	89.89%	106.25%
Covered Employee Payroll	$ 37,918,375	$ 29,516,733
Fiduciary Net Pension Liability as a Percentage of Covered Employee Payroll	9.45%	-6.29%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF CONTRIBUTIONS
FOR THE YEAR ENDING JUNE 30, 2015

Measurement Period	**2015***	**2014***
Actuarially Determined Contributions	$ 252,273	$ 334,728
Contributions in Relation to the Actuarially Determined Contributions	606,694	955,554
Contribution Deficiency / (Excess)	$ (354,421)	$ (620,826)
Covered Employee Payroll	$ 37,918,375	$ 29,516,733
Contributions as a Percentage of Covered Employee Payroll	1.60%	3.24%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
SCHEDULES OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2015

	June 30, 2015*	June 30, 2014*
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.41%	16.50%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. It is calculated by finding the rate of return that will set the present values of all cash flows and terminal values equal to the value of the initial investment. The money-weighted rate of return is equivalent to the internal rate of return (IRR).

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates in the Schedule of Contributions:

Valuation Date	July 1, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-Dollar Projected Payroll
Remaining Amortization Period	19-year Amortization of Unfunded Liability, plus Normal Cost, less expected Employee Contributions
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80% - 120% Asset Corridor
Actuarial Assumptions:	
Discount Rate	6.0% (net of administrative expense)
Projected Salary Increases	3.00%
General Inflation Rate	3.00%
Mortality	*Actives* RP-2014 combined annuitant/non-annuitant mortality table with generational future improvement using scale MP-2014 *Full-Time Actives (no longer accruing benefits)* Mortality rates are based on the most recent CalPERS mortality table developed in the 1997-2011 CalPERS Experience Study, with generational future improvements using scale MP-2014

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015, can be found in the July 1, 2014 actuarial valuation report.

NOTE 2 – CHANGES OF ASSUMPTIONS

Changes in Assumptions and Methods Since the Prior Valuation

1) Funding interest rate decreased from 6.5% to 6.0%

2) Lump sum interest rate decreased from 6.0% o 5.0%

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BROWN ARMSTRONG
Certified Public Accountants

To the Honorable Board of Supervisors
County of Riverside, California

We have audited the financial statements of the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan) for the year ended June 30, 2015, and have issued our report thereon dated August 8, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 25, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Plan are described in Note 2 to the financial statements. The Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* during the fiscal year 2015. We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimates of the fair value of investments and the money-weighted rate of return are based on quoted prices as of the balance sheet date for those securities. We evaluated the key factors and assumptions used to develop the estimates of the fair value of investments and money-weighted rate of return in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimates of the contribution amounts and net pension liability are based on an actuarially-presumed interest rate and assumptions recommended by an independent actuary which were adopted by the County of Riverside Board of Supervisors. They involve estimates of the values of reported amounts and probabilities about the occurrence of future events, as detailed in Note 5, Contributions Required and Contributions Made, and Note 6, Net Pension Liability and Significant Assumptions.

We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures of cash and investments in Notes 3 and 4 to the financial statements were derived by various methods as detailed in the notes.

The disclosures related to the funding policies, funding status, progress, and actuarial methods and assumptions in Note 6, Net Pension Liability and Significant Assumptions, were derived from actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of the future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated August 8, 2017.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basis financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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This information is intended solely for the use of the Board of Supervisors and management of the Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
August 8, 2017

STATUS OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
Management Response as of September 2017

Finding 2015-001 Active Participant Finding

Condition:

- For 1 out of 40 active participants tested, we noted that the birth date entered in Relius, the Plan's pension system, was incorrect and did not match the date of birth listed on the driver's license and forms signed by the member.
- For 1 out of 40 active participants tested, the required identification documents on was not on file. The participant was missing proof of date of birth, government-issued ID, basic demographic data, etc. These documents are used to verify the identity of the participant being enrolled in the Plan, and therefore, we were unable to verify if the information for the date of birth and demographic data was correct in Relius.
- For 2 out of 40 active participants tested, the required Temporary Plan Eligibility Self-Certification Form was not on file. This document is required and signed by the participant stating they are eligible to enter the Plan, and starts the enrollment process into the Plan. For one of these two participants, there was an Employee Transaction Form (ETF) on file, which shows the employee has been reviewed and approved for eligibility as they verify employment with the department. Although they were eligible, the required self-certification form was not on file. For the second member of the two, there was no ETF form and, therefore, we were unable to verify that this member was eligible to participate in the Plan.

Criteria:

Retirement Plan Bylaws state that the date of birth needs to be verified as it affects the contributions and eventually the monthly benefit and date of when benefits commence. Additionally, participants must have proof of identification in order to be eligible for entry into the Plan.

Cause of Condition:

- Data was transposed when entered into Relius, and there was a lack of internal controls to review whether the data was entered correctly.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files and that eligibility has been determined.

Effect of Condition:

- The potential effect is that, if the wrong date is entered into Relius, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit.
- The potential effect is that, if we are unable to verify that the birth date and other demographic information is correct, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit. There is also a possibility of the benefit being paid to the wrong address.
- The potential effect is that they could enter a participant into the Plan who is not eligible.

Recommendation:

We recommend that management implement a review system to ensure data is entered correctly. We also recommend that management implement a review system or checklist to ensure all required documents are in the member's file.

Prior Year Management Response:

Management will correct the error and perform a more thorough review to ensure errors are caught. Additionally, management noted that the errors did not have an effect on their contributions.

Current Year Status Management Response:

Management would like to note that a correction under the "Criteria" section is required. The second sentence states, "*Additionally, participants must have proof of identification in order to be eligible for entry into the Plan.*" This statement is incorrect. Participants are not required to have proof of identification in order to be eligible for entry into the Plan. Participation in the Plan is a condition of employment, unless the employee's status or classification is specifically excluded by Plan eligibility provisions, such as:

- Employee is currently retired and receiving a retirement benefit from CalPERS or a monthly Social Security check
- The employee is currently participating in CalPERS; or
- The employee previously participated in CalPERS and has not withdrawn his/her CalPERS contributions

As a result of the initial findings from the audit ending June 30, 2015, management modified internal processes by creating a 401(a) Distribution Checklist form and requires that an official identification card/document (e.g. driver's license, passport, birth certificate, etc.) issued by a governmental agency (e.g. DMV, Homeland Security, County/City Clerk Recorder Office, etc.) is on file to validate the date of birth (DOB) and age of each participant, prior to authorizing a distribution from the Plan.

Additionally, the County started processing distributions on a bi-weekly basis versus an annual basis. Changing the processing period reduced the number of records to be reviewed at one time, which provides the retirement representative more time to review each request for improved data accuracy. After all distributions are finalized, the records are reviewed a second time for accuracy by a different retirement representative prior to having payments issued.

<u>Finding 2015-002 Retirees Participant Finding</u>

Condition:

- For 2 of the 40 retiree samples, no distribution request form was in the participant's file and, therefore, we were unable to verify the participant's tax election with what was entered into Relius, nor were we able to verify the person's date of birth with what was entered into Relius.
- For 6 of the 40 retiree samples, all 6 of whom are over the age of 70.5, we noted there were no actuary letters regarding increased benefits in their files, and these members were not receiving an increased benefit as required by the Retirement Plan Bylaws.
- For 2 out of 40 retirees tested, we noted the date of birth in Relius was incorrect.

Criteria:

- Per the Retirement Plan Bylaws, a distribution request form is to be completed and kept in a member's file if they are receiving a monthly benefit. The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.
- Per the Retirement Bylaws, a participant's accrued benefit shall be actuarially increased to take into account the period after age 70.5 in which the participant does not receive any benefits under the Plan. The participant shall be entitled to a minimum of the actuarial equivalent of the participant's accrued benefit as determined as of the April 1 following the calendar year in which the participant attains age 70.5 and ending on the date on which benefits commence after retirement in an amount sufficient to satisfy code 401(a)(9).
- The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.

Cause of Condition:

- There was a lack of review to ensure all required documentation is in the member's file and that it matches the information in Relius.
- There was a lack of controls and review regarding members approaching age 70.5 that would be eligible for an increased benefit.
- There was a lack of review to ensure the information entered into Relius matches the documents in the member's file.

Effect of Condition:

- The potential effect is that taxes could either be withheld or not withheld in accordance with the participant's election. If the date of birth is not verified to documents provided by the member, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.
- Members over the age of 70.5 are not receiving an increased benefit, and therefore, these participants are being underpaid.
- If the date of birth is entered into Relius incorrectly, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.

Recommendation:

- We recommend that the Plan implement a checklist and review process to ensure all required documents, such as the distribution request forms, are maintained in the participant's file and that distributions are not made until required forms are obtained.
- We recommend that the Plan run reports monthly to check for participants so on approaching age 70.5 that would qualify for an enhanced benefit. We also recommend management implement a review process to ensure that all participants who are age 70.5 and over receive an increase in their benefit payment.
- We recommend that management implement a review process to ensure that the data listed in the member's file, such as the date of birth, is entered into Relius correctly.

Prior Year Management Response:

Management agrees with the findings and will implement the recommended review process.

Current Year Status Management Response:

Along with completing the 401(a) Checklist form and verifying valid proof of participants DOB and age by maintaining documents are on file, the County implemented as its standard process to automatically review each Plan participant between the ages of 65 – 69 to determine if the participant is eligible for an enhanced benefit.

Additionally, all participants at age 70 and greater are automatically reviewed by Aon (Benefit Consultant) to determine if an enhanced benefit is due.

<u>Finding 2015-003 Terminated Member Finding</u>

Condition:

For 1 out of 25 deferred and terminated members tested in the Plan, we noted the member was listed as terminated per our population (from US Bank) but did not have a termination date entered in Relius (pension system). Upon further inquiry, it was found that this member terminated prior to a system change in 2001.

Because the member left prior to the conversion of pension systems (from Alpha to Relius), only partial details were imported into the new system and the termination date was not carried over.

Criteria:

The termination date should be the same in the custodian reports as well as the pension system.

Cause of Condition:

The termination date was not in Relius because of a conversion issue from the old pension system.

Effect of Condition:

This could potentially create an issue over system records of termination or payment. If there is no termination date, a reviewer cannot verify that the member is properly paid out and/or terminated.

Recommendation:

We recommend the Plan perform checks on data from Alpha, the old system, to data in Relius, the new system.

Prior Year Management Response:

Management agrees with the finding and will reconcile the information in the old system to the new system.

Current Year Status Management Response:

All terminations prior to June 2001 are required to be confirmed in the Alpha system to validate that the termination effective date is identical to the termination effective date reflected in the Relius system.

All terminations with an effective date after June 2001 will be compare to the termination effective date listed in PeopleSoft to the termination effective date reflected in Relius.

<u>Finding 2015-004 Decedent Finding</u>

Condition:

We noted during our deceased participant testing that 2 out of 6 deceased participants were not marked as "deceased" and they were not zeroed out in the Plan's pension system, Relius. 1 of these 2 members was an active participant decedent, and we noted the lump sum of contributions on account was not paid out to the beneficiary stated on the member's election form, but rather was paid out erroneously to the estate. For the retiree participant decedent, we noted they were marked deceased in the US Bank system and no payment was made after the participant's date of death.

Criteria:

Retirement Plan Bylaws state that a deceased participant's beneficiary should receive their accurate payment. Decedents should be marked as "deceased" in Relius.

Cause of Condition:

There was a lack of review over input into the Plan's pension system, Relius, and a lack of review over benefit payments.

Effect of Condition:

If a member is not marked deceased in the Plan's system and if benefits are not zeroed out, there is a potential that a member could be paid after their date of death and someone else could be cashing the check. Also, if the beneficiary information on the election form is not input into the Relius system correctly or if it is not verified, the incorrect person could receive the lump sum of the contributions on account.

Recommendation:

We recommend that the Plan be more attentive in the review process over input into the pension system, Relius, in comparison to the forms in the member's file and the status of the member. We also recommend management review the status in Relius and US Bank in order for them to be uniform, make sure benefits are being paid to the correct people, and that members are properly marked as "deceased."

Prior Year Management Response:

The two deceased participants mentioned above will be marked as "deceased" in Relius. In addition, management agrees that the check should have been paid to the beneficiary elected on the form and not the estate.

Current Year Status Management Response:

The 401(a) Checklist requires that each participant record is thoroughly reviewed to ensure:

- The termination effective date and participant status (e.g. active, term, deceased, etc.) are the same in each applicable database (e.g. Alpha, PeopleSoft, Relius and U.S. Bank)
- Participant's DOB and age are verified prior to payment distribution
- Verify deceased participant's account is updated and paid out accordingly to the appropriate beneficiary, if applicable, and account balance is zeroed out in Relius and with U.S. Bank
- Use 401(a) Checklist form to ensure all data and required documents for transaction are on file for recordkeeping and auditing purposes

COUNTY OF RIVERSIDE
PART-TIME AND TEMPORARY EMPLOYEES' 401(a) RETIREMENT PLAN

MANAGEMENT LETTER

JUNE 30, 2015

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Supervisors
County of Riverside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Riverside Part-Time and Temporary Employees' 401(a) Retirement Plan (the Plan), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated August 8, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. See **Findings 2015-001** through **2015-004**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Plan's Response to Findings

The Plan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Plan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This communication is intended solely for the information and use of management, the Board of Supervisors, and others within the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
August 8, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Finding 2015-001 Active Participant Finding

Condition:

- For 1 out of 40 active participants tested, we noted that the birth date entered in Relius, the Plan's pension system, was incorrect and did not match the date of birth listed on the driver's license and forms signed by the member.
- For 1 out of 40 active participants tested, the required identification documents on was not on file. The participant was missing proof of date of birth, government-issued ID, basic demographic data, etc. These documents are used to verify the identity of the participant being enrolled in the Plan, and therefore, we were unable to verify if the information for the date of birth and demographic data was correct in Relius.
- For 2 out of 40 active participants tested, the required Temporary Plan Eligibility Self-Certification Form was not on file. This document is required and signed by the participant stating they are eligible to enter the Plan, and starts the enrollment process into the Plan. For one of these two participants, there was an Employee Transaction Form (ETF) on file, which shows the employee has been reviewed and approved for eligibility as they verify employment with the department. Although they were eligible, the required self-certification form was not on file. For the second member of the two, there was no ETF form and, therefore, we were unable to verify that this member was eligible to participate in the Plan.

Criteria:

Retirement Plan Bylaws state that the date of birth needs to be verified as it affects the contributions and eventually the monthly benefit and date of when benefits commence. Additionally, participants must have proof of identification in order to be eligible for entry into the Plan.

Cause of Condition:

- Data was transposed when entered into Relius, and there was a lack of internal controls to review whether the data was entered correctly.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files and that eligibility has been determined.

Effect of Condition:

- The potential effect is that, if the wrong date is entered into Relius, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit.
- The potential effect is that, if we are unable to verify that the birth date and other demographic information is correct, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit. There is also a possibility of the benefit being paid to the wrong address.
- The potential effect is that they could enter a participant into the Plan who is not eligible.

Recommendation:

We recommend that management implement a review system to ensure data is entered correctly. We also recommend that management implement a review system or checklist to ensure all required documents are in the member's file.

Management Response:

Management will correct the error and perform a more thorough review to ensure errors are caught. Additionally, management noted that the errors did not have an effect on their contributions.

Finding 2015-002 Retirees Participant Finding

Condition:

- For 2 of the 40 retiree samples, no distribution request form was in the participant's file and, therefore, we were unable to verify the participant's tax election with what was entered into Relius, nor were we able to verify the person's date of birth with what was entered into Relius.
- For 6 of the 40 retiree samples, all 6 of whom are over the age of 70.5, we noted there were no actuary letters regarding increased benefits in their files, and these members were not receiving an increased benefit as required by the Retirement Plan Bylaws.
- For 2 out of 40 retirees tested, we noted the date of birth in Relius was incorrect.

Criteria:

- Per the Retirement Plan Bylaws, a distribution request form is to be completed and kept in a member's file if they are receiving a monthly benefit. The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.
- Per the Retirement Bylaws, a participant's accrued benefit shall be actuarially increased to take into account the period after age 70.5 in which the participant does not receive any benefits under the Plan. The participant shall be entitled to a minimum of the actuarial equivalent of the participant's accrued benefit as determined as of the April 1 following the calendar year in which the participant attains age 70.5 and ending on the date on which benefits commence after retirement in an amount sufficient to satisfy code 401(a)(9).
- The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.

Cause of Condition:

- There was a lack of review to ensure all required documentation is in the member's file and that it matches the information in Relius.
- There was a lack of controls and review regarding members approaching age 70.5 that would be eligible for an increased benefit.
- There was a lack of review to ensure the information entered into Relius matches the documents in the member's file.

Effect of Condition:

- The potential effect is that taxes could either be withheld or not withheld in accordance with the participant's election. If the date of birth is not verified to documents provided by the member, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.
- Members over the age of 70.5 are not receiving an increased benefit, and therefore, these participants are being underpaid.
- If the date of birth is entered into Relius incorrectly, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.

Recommendation:

- We recommend that the Plan implement a checklist and review process to ensure all required documents, such as the distribution request forms, are maintained in the participant's file and that distributions are not made until required forms are obtained.
- We recommend that the Plan run reports monthly to check for participants soon approaching age 70.5 that would qualify for an enhanced benefit. We also recommend management implement a review process to ensure that all participants who are age 70.5 and over receive an increase in their benefit payment.
- We recommend that management implement a review process to ensure that the data listed in the member's file, such as the date of birth, is entered into Relius correctly.

Management Response:

Management agrees with the findings and will implement the recommended review process.

Finding 2015-003 Terminated Member Finding

Condition:

For 1 out of 25 deferred and terminated members tested in the Plan, we noted the member was listed as terminated per our population (from US Bank) but did not have a termination date entered in Relius (pension system). Upon further inquiry, it was found that this member terminated prior to a system change in 2001. Because the member left prior to the conversion of pension systems (from Alpha to Relius), only partial details were imported into the new system and the termination date was not carried over.

Criteria:

The termination date should be the same in the custodian reports as well as the pension system.

Cause of Condition:

The termination date was not in Relius because of a conversion issue from the old pension system.

Effect of Condition:

This could potentially create an issue over system records of termination or payment. If there is no termination date, a reviewer cannot verify that the member is properly paid out and/or terminated.

Recommendation:

We recommend the Plan perform checks on data from Alpha, the old system, to data in Relius, the new system.

Management Response:

Management agrees with the finding and will reconcile the information in the old system to the new system.

Finding 2015-004 Decedent Finding

Condition:

We noted during our deceased participant testing that 2 out of 6 deceased participants were not marked as "deceased" and they were not zeroed out in the Plan's pension system, Relius. 1 of these 2 members was an active participant decedent, and we noted the lump sum of contributions on account was not paid out to the beneficiary stated on the member's election form, but rather was paid out erroneously to the estate. For the retiree participant decedent, we noted they were marked deceased in the US Bank system and no payment was made after the participant's date of death.

Criteria:

Retirement Plan Bylaws state that a deceased participant's beneficiary should receive their accurate payment. Decedents should be marked as "deceased" in Relius.

Cause of Condition:

There was a lack of review over input into the Plan's pension system, Relius, and a lack of review over benefit payments.

Effect of Condition:

If a member is not marked deceased in the Plan's system and if benefits are not zeroed out, there is a potential that a member could be paid after their date of death and someone else could be cashing the check. Also, if the beneficiary information on the election form is not input into the Relius system correctly or if it is not verified, the incorrect person could receive the lump sum of the contributions on account.

Recommendation:

We recommend that the Plan be more attentive in the review process over input into the pension system, Relius, in comparison to the forms in the member's file and the status of the member. We also recommend management review the status in Relius and US Bank in order for them to be uniform, make sure benefits are being paid to the correct people, and that members are properly marked as "deceased."

Management Response:

The two deceased participants mentioned above will be marked as "deceased" in Relius. In addition, management agrees that the check should have been paid to the beneficiary elected on the form and not the estate.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2014-001 Active Participant Finding

Condition:

- For 1 out of 40 active participants tested, we noted that the birth date entered in Relius, the Plan's pension system, was incorrect and did not match the date of birth listed on the driver's license and forms signed by the member.
- For 1 out of 40 active participants tested, the required identification documents on was not on file. The participant was missing proof of date of birth, government-issued ID, basic demographic data, etc. These documents are used to verify the identity of the participant being enrolled in the Plan, and therefore, we were unable to verify if the information for the date of birth and demographic data was correct in Relius.
- For 2 out of 40 active participants tested, the required Temporary Plan Eligibility Self-Certification Form was not on file. This document is required and signed by the participant stating they are eligible to enter the Plan, and starts the enrollment process into the Plan. For one of these two participants, there was an Employee Transaction Form (ETF) on file, which shows the employee has been reviewed and approved for eligibility as they verify employment with the department. Although they were eligible, the required self-certification form was not on file. For the second member of the two, there was no ETF form and, therefore, we were unable to verify that this member was eligible to participate in the Plan.

Criteria:

Retirement Plan Bylaws state that the date of birth needs to be verified as it affects the contributions and eventually the monthly benefit and date of when benefits commence. Additionally, participants must have proof of identification in order to be eligible for entry into the Plan.

Cause of Condition:

- Data was transposed when entered into Relius, and there was a lack of internal controls to review whether the data was entered correctly.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files.
- Lack of controls over reviewing and ensuring required documentation is submitted by the member and contained in the files and that eligibility has been determined.

Effect of Condition:

- The potential effect is that, if the wrong date is entered into Relius, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit.
- The potential effect is that, if we are unable to verify that the birth date and other demographic information is correct, when the member retires, the incorrect date could be used in determining their eligibility for a monthly benefit, and it could also affect the eligible earnings used in the calculation of their monthly benefit. There is also a possibility of the benefit being paid to the wrong address.
- The potential effect is that they could enter a participant into the Plan who is not eligible.

Recommendation:

We recommend that management implement a review system to ensure data is entered correctly. We also recommend that management implement a review system or checklist to ensure all required documents are in the member's file.

Management Response:

Management will correct the error and perform a more thorough review to ensure errors are caught. Additionally, management noted that the errors did not have an effect on their contributions.

Current Year Status: See current year findings.

Finding 2014-002 Retirees Participant Finding

Condition:

- For 2 of the 40 retiree samples, no distribution request form was in the participant's file and, therefore, we were unable to verify the participant's tax election with what was entered into Relius, nor were we able to verify the person's date of birth with what was entered into Relius.
- For 6 of the 40 retiree samples, all 6 of whom are over the age of 70.5, we noted there were no actuary letters regarding increased benefits in their files, and these members were not receiving an increased benefit as required by the Retirement Plan Bylaws.
- For 2 out of 40 retirees tested, we noted the date of birth in Relius was incorrect.

Criteria:

- Per the Retirement Plan Bylaws, a distribution request form is to be completed and kept in a member's file if they are receiving a monthly benefit. The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.
- Per the Retirement Bylaws, a participant's accrued benefit shall be actuarially increased to take into account the period after age 70.5 in which the participant does not receive any benefits under the Plan. The participant shall be entitled to a minimum of the actuarial equivalent of the participant's accrued benefit as determined as of the April 1 following the calendar year in which the participant attains age 70.5 and ending on the date on which benefits commence after retirement in an amount sufficient to satisfy code 401(a)(9).
- The date of birth needs to be verified as it affects the monthly benefit and date of when benefits commence.

Cause of Condition:

- There was a lack of review to ensure all required documentation is in the member's file and that it matches the information in Relius.
- There was a lack of controls and review regarding members approaching age 70.5 that would be eligible for an increased benefit.
- There was a lack of review to ensure the information entered into Relius matches the documents in the member's file.

Effect of Condition:

- The potential effect is that taxes could either be withheld or not withheld in accordance with the participant's election. If the date of birth is not verified to documents provided by the member, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.
- Members over the age of 70.5 are not receiving an increased benefit, and therefore, these participants are being underpaid.
- If the date of birth is entered into Relius incorrectly, the monthly benefit could commence at the incorrect time due to the retirement age being incorrect as it is based off the day of birth. In addition, if the birth date is not correct and the member receives their monthly benefit either earlier or later than they should, it could affect the monthly benefit amount as the amount is based off total eligible earnings.

Recommendation:

- We recommend that the Plan implement a checklist and review process to ensure all required documents, such as the distribution request forms, are maintained in the participant's file and that distributions are not made until required forms are obtained.
- We recommend that the Plan run reports monthly to check for participants soon approaching age 70.5 that would qualify for an enhanced benefit. We also recommend management implement a review process to ensure that all participants who are age 70.5 and over receive an increase in their benefit payment.
- We recommend that management implement a review process to ensure that the data listed in the member's file, such as the date of birth, is entered into Relius correctly.

Management Response:

Management agrees with the findings and will implement the recommended review process.

Current Year Status: See current year findings.

Finding 2014-003 Terminated Member Finding

Condition:

For 1 out of 25 deferred and terminated members tested in the Plan, we noted the member was listed as terminated per our population (from US Bank) but did not have a termination date entered in Relius (pension system). Upon further inquiry, it was found that this member terminated prior to a system change in 2001. Because the member left prior to the conversion of pension systems (from Alpha to Relius), only partial details were imported into the new system and the termination date was not carried over.

Criteria:

The termination date should be the same in the custodian reports as well as the pension system.

Cause of Condition:

The termination date was not in Relius because of a conversion issue from the old pension system.

Effect of Condition:

This could potentially create an issue over system records of termination or payment. If there is no termination date, a reviewer cannot verify that the member is properly paid out and/or terminated.

Recommendation:

We recommend the Plan perform checks on data from Alpha, the old system, to data in Relius, the new system.

Management Response:

Management agrees with the finding and will reconcile the information in the old system to the new system.

Current Year Status: See current year findings.

Finding 2014-004 Decedent Finding

Condition:

We noted during our deceased participant testing that 2 out of 6 deceased participants were not marked as "deceased" and they were not zeroed out in the Plan's pension system, Relius. 1 of these 2 members was an active participant decedent, and we noted the lump sum of contributions on account was not paid out to the beneficiary stated on the member's election form, but rather was paid out erroneously to the estate. For the retiree participant decedent, we noted they were marked deceased in the US Bank system and no payment was made after the participant's date of death.

Criteria:

Retirement Plan Bylaws state that a deceased participant's beneficiary should receive their accurate payment. Decedents should be marked as "deceased" in Relius.

Cause of Condition:

There was a lack of review over input into the Plan's pension system, Relius, and a lack of review over benefit payments.

Effect of Condition:

If a member is not marked deceased in the Plan's system and if benefits are not zeroed out, there is a potential that a member could be paid after their date of death and someone else could be cashing the check. Also, if the beneficiary information on the election form is not input into the Relius system correctly or if it is not verified, the incorrect person could receive the lump sum of the contributions on account.

Recommendation:

We recommend that the Plan be more attentive in the review process over input into the pension system, Relius, in comparison to the forms in the member's file and the status of the member. We also recommend management review the status in Relius and US Bank in order for them to be uniform, make sure benefits are being paid to the correct people, and that members are properly marked as "deceased."

Management Response:

The two deceased participants mentioned above will be marked as "deceased" in Relius. In addition, management agrees that the check should have been paid to the beneficiary elected on the form and not the estate.

Current Year Status: See current year findings.