



**Report on
State Retirement Contributions Trust and Agency Account**
By Onondaga County Comptroller Matthew Beadnell

Report Index

Report Section	Section Name	Page Number
I	Introduction	2
II	Background, Scope, and Methodology	2
III	Findings and Recommendations	5

SECTION I INTRODUCTION

We performed a limited scope audit of the State Retirement Contributions Trust and Agency Account (#018000) for the period for the period January 1, 2016 through and as of December 31, 2017. The transactions in this account which are authorized by, and the assets held by the County, belong to the New York State and Local Retirement System (NYSLRS). NYSLRS consists of the New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS). NYSLERS is a division of the Office of the New York State Comptroller.

The recorded account balance and the related account transactions are the responsibility of the department's management. Our responsibility was to obtain an understanding of the policies/procedures, test internal controls over the account, and review selected account transactions completed during the audit time period. We evaluated internal controls and planned and performed procedures to obtain reasonable assurance the recorded account balance and the account transactions were free of material misstatement. Our audit procedures included evaluating internal controls and examining, on a test basis, evidence supporting the account balance and transactions.

SECTION II BACKGROUND, SCOPE AND, METHODOLOGY

Background

According to the Office of the New York State Comptroller, the ERS was created through legislation in 1921 to provide benefits for state civil service officers and employees. By 1923 several counties, cities, towns and villages became participating employers. Legislation in 1966 created PFRS. Membership of all police officers and firefighters were transferred from the ERS at that time. The two systems have separate retirement plans, but are administered by the same staff. In 1987 ERS and PFRS changed their name to NYSLRS, in recognition of the broad base of participation by local employers.

NYSLRS is administered by the Comptroller of the State of New York located in Albany. Currently there are more than 1,100,000 participants in NYSLRS with an estimate of 617,000 ERS members, 35,000 PFRS members and 450,000 retirees and beneficiaries of both systems. The Fund is the third largest pension fund in the United States and as of March 31, 2018, had an estimated value of \$206.9 billion.

The mission of the NYSLRS is to ensure there are sufficient assets in the Common Retirement Fund (CFR) to support the benefits earned by current and future retirees. The CFR was

established to hold all the assets and income of the retirement system in a single unified investment program.

According to NYSLRS, ERS members are assigned a tier based on the date of membership. Each tier determines specific benefits and contribution requirements. There are six tiers as illustrated below:

- Tier 1 Before July 1, 1973
- Tier 2 July 1, 1973 through July 26, 1976
- Tier 3 July 27, 1976 through August 31, 1983
- Tier 4 September 1, 1983 through December 31, 2009
- Tier 5 January 1, 2010 through March 31, 2012
- Tier 6 April 1, 2012 or after

Beginning April 1, 2013, members are required to contribute a specific percentage of gross earnings, as shown below, for all years of public service after the date of membership.

Wages	Contribution Rate
Up to \$45,000	3%
\$45,000.01 to \$55,000	3.5%
\$55,000.01 to \$75,000	4.5%
\$75,000.01 to \$100,000	5.75%
Over \$100,000	6%

Additional deductions are taken for retirement:

- Loan repayments: Employees, who take a loan with the retirement system, have deductions taken for loan repayment.
- Arrears payments: Employees that have been reinstated into the retirement system may make payments via payroll deductions to buy back service time.

The Onondaga County Comptroller's Payroll Division manages the County employees' retirement deductions for NYSLRS. The predetermined deductions for required contributions, loan repayments, and arrears payments are entered into the Genesys Payroll System and are automatically deducted from the employees' biweekly payroll and posted in the State Retirement Contributions Trust and Agency Account. On the fifth day of the following month, the verified amount of contributions and payments are transferred to the NYSLRS account.

Scope:

Onondaga County Comptroller's Office, Audit Division (Audit) conducted a limited scope audit of the State Retirement Contributions Trust and Agency Account for the period January 1, 2016 through and as of December 31, 2017. We evaluated internal controls and planned and performed procedures to obtain reasonable assurance as to whether the recorded account balance and account transactions are free from material misstatement.

The recorded account balance and account transactions are the responsibility of management. Our responsibility was to obtain an understanding of the policies and procedures, test internal controls over the account, and review the account transactions and balance for the period of our audit and at December 31, 2017 to determine if there is adequate fiduciary accountability for this account. The scope of our audit was to ascertain the appropriateness of the inflows and outflows during 2016 and 2017 for the State Retirement Contributions Trust & Agency account #0180000 and determine whether effective internal controls are in place to ensure NYSLRS deductions from payroll are adequately accounted for.

Methodology:

In order to complete our objectives we:

- Conducted interviews with management and staff responsible for the maintenance and reconciliation of the State Retirement Contribution Account Trust and Agency Account.
- Assessed current policies and procedures to ascertain that they are operating effectively to ensure that the Trust and Agency Account is adequately safeguarded.
- Reviewed internal control procedures to determine compliance.
- Tested internal controls to determine whether they were working effectively.
- Tested account transactions to determine whether they were correct.
- Determine whether periodic and timely reconciliations of the Trust and Agency account were performed.

SECTION III FINDINGS AND RECOMMENDATIONS

Payroll Division

There were no written procedures for periodic reconciliation of State Retirement Contributions Trust and Agency account. In addition, the monthly supporting documentation used for transaction reconciliation purposes lacks proper signoffs of the preparer and the reviewer.

Recommendations:

- *The Payroll Division should develop and use written procedures to ensure Management's directives are carried out with respect to the State Retirement Contributions Trust and Agency Account, including reconciliations.*
- *We recommend the preparer and the reviewer sign off on the monthly supporting documentation for the transaction reconciliation. This sign off represents an important documentation of responsibilities.*

Accounting Division

The Accounting Division has not reconciled the State Retirement Contributions Trust and Agency account #018000 at year end. The account is carrying a balance forward each year due to various adjustments to the ERS deductions. We noted a balance of \$1,871.00 at 12/31/2016 and \$2,325.04 balance at 12/31/2017, after the required ERS payments were sent to New York State Retirement, (NYSLRS).

Recommendations:

- *We recommend the Accounting Division determine the nature of the balances in this Trust and Agency account and adjust accordingly.*
- *We recommend the Accounting Supervisor develop and implement procedures and assign an individual to periodically (at least annually) reconcile the balance of State Retirement Contributions Trust and Agency general ledger account.*