

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**



**Office of Integrity and Oversight**

**TO:** Bruno Fernandes, Deputy CFO/Treasurer  
Office of Finance and Treasury

**FROM:** Timothy Barry, Executive Director  
Office of Integrity and Oversight

A handwritten signature in black ink that reads "Timothy Barry".

**DATE:** May 14, 2019

**SUBJECT:** Final Report on the Audit of Internal Controls over the Office of Finance and Treasury's Pension Fund Operations (OIO No. 18-01-23 OFT)

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This report summarizes the results of the Office of the Chief Financial Officer (OCFO)'s Office of Integrity and Oversight (OIO)'s Audit of the Internal Controls over the Office of Finance and Treasury's Pension Fund Operations. The objectives of the audit were to: 1) determine OFT's compliance with laws and regulations, policies and procedures governing the District's pension plans; and (2) assess the effectiveness of internal controls over OFT's management of the pension plans.

OIO provided three (3) recommendations to address the findings cited in the report. OFT concurred with the findings and recommendations and provided corrective actions. The corrective actions planned and taken are responsive and meet the intent of the recommendations.

We appreciate the assistance and cooperation that you and your staff provided to OIO during this audit. Should you have any questions or need additional information, please contact me at (202) 442-6433; or Tisha Edwards, Director of Internal Audit, at (202) 442-6446.

Attachment

cc: Jeffrey DeWitt, Chief Financial Officer  
Angell Jacobs, Deputy CFO and Chief of Staff, OCFO  
Marshelle Richardson, Chief Risk Officer, OCFO  
Eugenia Collis, Associate Treasurer, OFT



Office of Integrity & Oversight

**Government of the District  
of Columbia, Office of the  
Chief Financial Officer**

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May 14, 2019

**AUDIT OF INTERNAL  
CONTROLS OVER  
OFFICE OF FINANCE  
AND TREASURY'S  
PENSION FUND  
OPERATIONS**



## Highlights

Highlights of Report 18-01-23 OFT, a report to the Deputy CFO/Treasurer, Office of Finance and Treasury

### Why OIO Did This Audit

The Office of Integrity and Oversight (OIO) performed this audit of internal controls over the Office of Finance and Treasury's Pension Fund Operations to: (1) determine compliance with laws and regulations, policies and procedures governing the District's pension plans and (2) determine the sufficiency of internal controls over OFT's management of the Pension Funds. Our audit covered the period FY 2017 and FY 2018. This audit was included in the OIO FY 2018 Audit Plan at the request of the former Deputy CFO and Treasurer.

### What OIO Recommends

We provided the Deputy CFO/Treasurer with three recommendations to improve internal controls. Our recommendations centered on:

- Reviewing the current reconciliation process to find a more effective way to ensure the reconciliations are performed in a timely manner.
- Requiring that the Pension Plan Director continue to enforce the requirement to maintain all participant documents with the current Plan Manager.
- Requiring that the Pension Plan Director follow-up with prior Plan Administrators to locate the missing documents.

May 14, 2019

## AUDIT OF INTERNAL CONTROLS OVER THE OFFICE OF FINANCE AND TREASURY'S PENSION FUND OPERATIONS

### What Did OIO Find

Although we found the OFT has adequate controls, we found that asset reconciliations are not completed timely. We noted improvements in document retention by the current Trustee but found missing disbursement documentation to support payments made to plan participants by prior Plan Administrators.

#### Asset Reconciliations are not completed timely

Out of the 24 401(a) reconciliations we reviewed for the two-year period, four (4) reconciliations were completed at the end of fiscal year 2017 and 20 were signed but not dated by the Program Director. Of the 24 reconciliations prepared for the 457 Plan, all 24 were signed but not dated by the Program Director. Therefore, OIO was not able to determine that the reconciliations were completed timely.

#### Missing Supporting Documentation.

Three (3) of the 60 disbursements, processed in FY 2017, selected for review, were missing supporting disbursement documentation. Although we noted that the three disbursements were made by the prior Plan Manager, the Internal Revenue Service guidelines require that documentation is retained for all disbursements to Plan participants until all benefits are paid.

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## Abbreviations and Acronyms

<b>AICPA</b>	American Institute of Certified Public Accountants
<b>DCFO</b>	Deputy Chief Financial Officer
<b>COTR</b>	Contracting Officer Technical Representative
<b>FY</b>	Fiscal Year
<b>DCHR</b>	Department of Human Resources
<b>DOH</b>	Date of Hire
<b>ICMA-RC</b>	ICMA-RC Retirement Corporation
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OFT</b>	Office of Finance and Treasury
<b>OIO</b>	Office of Integrity and Oversight
<b>OPRS</b>	Office of Pay and Retirement Services
<b>PPD</b>	Pension Plan Program Director
<b>RMD</b>	Required Minimum Distribution
<b>401(a)</b>	Defined Contribution Pension Plan
<b>457</b>	Deferred Compensation Plan

## **Background**

The Office of Finance and Treasury (OFT) in conjunction with the D.C. Department of Human Resources (DCHR) are responsible for adopting the 401(a) Defined Contribution and the 457 Deferred Compensation Plans' (the Plans) administrative rules and regulations as well as overseeing the duties of the Plans' Program Manager (Trustee). The Trustee has custody of the Plans' assets and is responsible for marketing, enrollment, reporting and recordkeeping. The current Trustee, ICMA-RC Retirement Corporation (ICMA-RC) replaced the previous Trustee, ING Life Insurance and Annuity Company on March 2, 2015. ICMA-RC's five-year contract for pension fund management services ends on March 1, 2020 with an option for a two-year extension. The OFT's Pension Plan Program Director is also the Contractor's Technical Representative (COTR) for the contract and is responsible for monitoring the Trustees activities.

### **401(a) Defined Contribution Pension Plan**

The 401(a) Defined Contribution Pension Plan (401(a) Plan) was established under D.C. Code 1-626.05(3) for all District employees hired on or after October 1, 1987. To be eligible for the 401(a) Plan, an employee must be employed for a minimum of one year. The District contributes 5% of eligible employees' base salary to the Plan, except for detention officers who receive a 5.5% contribution of their base salary. 401(a) Plan participants are not required to make any contributions. New employees are enrolled in the Plan nine months after the Date of Hire (DOH); however, the contributions do not start until the employee completes one year of employment with the District

### **The 457 Deferred Compensation Plan**

In addition to the 401(a) Plan, the District established a deferred compensation plan for eligible employees under the District's Deferred Compensation Act of 1984, D. C. Law 5-118, and D. C. Code Section 47-3601. The 457 Deferred Compensation Plan (457 Plan) enables eligible employees to make tax deferred contributions towards their retirement. There is no age or length of service requirements to participate in the 457 Plan, and employees can start making contributions immediately when hired.

### **Distributions/Disbursements to Plan Participants**

Participants in the 401(a) and 457 Plans can only receive a distribution or payout from their plan account when the following occurs:

- Separation from service with the District through resignation or termination;
- Death (payment to beneficiary);
- Permanent Disability;
- Retirement; and
- Required Minimum Distribution (RMD) at age 70½.

Participants who separate from employment are entitled to receive benefits and have the right to elect both the timing and manner of benefit payments. The participant must complete a Distribution Request Form and can select one of the following options: lump sum payment; installment payment or annuity payments. The payments can also be rolled over to an eligible retirement plan.

401(a) Plan, participants are considered fully vested in the Plan after five years of service. Prior to five years of service, the following graded vesting schedule is used to determine the amount to be paid to the plan participant:

**Table 1: 401(a) Plan Vesting Schedule**

<b>Years of Service</b>	<b>Percentage of Payment</b>
Less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years or more	100%

The balances left in the accounts of participants that are not fully vested are transferred to a forfeiture account after one year.

### **Forfeitures**

Employees that leave District employment before their 401(a) Plan account vests, forfeit the account balance that is not vested. The D.C. Department of Human Resources (DCHR) must certify the vesting percentage. Based on the vested percentage, ICMA-RC

calculates the payment. At the end of every month, the DCHR sends a list to ICMA-RC of all 401(a) Plan participants who have left the District and are eligible for payment or forfeiture. The list includes the employees date of hire (DOH) and Term Date (TD) as well as the percentage of account vested. If a participant is less than 100 percent vested, they only receive the vested portion of their balance. The unvested portion remains in the participants account until DCHR requests ICMA-RC to move the balance to the forfeiture account.

### **Monthly Asset Reconciliation**

The OFT Pension Analysts are responsible for reconciling the plan assets on a monthly basis. The Pension Analysts are required to reconcile fund activity from the opening to the closing balance. The reports from the Trustee and the payroll reports from the Office of Pay and Retirement (OPRS) are utilized in this process. Following is a summary of the steps followed in the reconciliation process:

- The Trustee provides OFT with a monthly asset reconciliation binder and a monthly management report for both plans;
- The Pension Analysts perform reconciliation of assets, contributions, and provides a list of rejected items to the Pension Plan Director (PPD) for approval;
- The Pension Analysts in conjunction with the Trustee resolve all the items that need adjustment, and sends the package to the Program Manager and PPD for final approval;
- The PPD reviews the reconciliations and informs the Pension Analyst if any issues need to be resolved before signing and dating the reconciliation package.

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### **Prior Audit**

OIO previously conducted an Audit of Internal Controls over Pension Fund Operations. The report was issued on June 30, 2014 (OIO: 13-01-08 OFT) and provided five recommendations to the DCFO/Treasurer, OFT. OFT agreed with four recommendations and developed corrective actions plans to address the recommendations. However, OFT disagreed with one recommendation; and stated that a process was in place to address the finding.

During this audit, we conducted a follow-up on the status of the recommendations and determined that although the recommendations were adopted, asset reconciliations are still not

being completed timely and supporting documentation for some participant distributions could not be located. See Table 1 below for the status of the recommendations.

**Table 2: Status of Prior Audit Recommendations**

No	Recommendations	Management Comments June 23, 2014	OIO Evaluation
1	Ensure that monthly asset reconciliations for the Pension Plans are completed in a timely manner.	We agree with the Finding. During this period, we were missing one of the two financial analysts.  There was a vacancy for 9 months and another due to medical reasons was out for about four months. OFT has recommended the addition of a junior analyst by January 2015 to assist with the increasing demands of the pension plans.	Not Implemented.  Although a new hire was added, reconciliations are not timely. The process needs to be evaluated to ensure timely asset reconciliation. See Finding 1.
2	Document Retention require that the Trustee retains documentation for plan participants until all payments are completed.	We agree with the Finding. The documentation in question were for participants who elected to have installment payments, e.g., monthly, quarterly, semi-annually or annually. The missing documents are for participants who have been receiving installment payments prior to ING becoming the recordkeeper when they replaced Nationwide. OFT will ask ING to reach out to Nationwide to determine if any of the information is still available to be transferred.	Partially Implemented.  Although we did not find missing supporting documents that were disbursed by the current Trustee, we found missing supporting documentation for disbursements that were made by the prior Trustees (ING and Nationwide). See Finding 2.
3	Update the current policies to include record retention for plan documentation.	We agree with the recommendation. OFT worked with the OCFO General Counsel's office and outside council, Venable Law Firm, to update the 401(a) and 457 Plan Documents, for applicable IRS updates. The latest version of the 401(a) plan document is dated January 1, 2012 and the 457 is dated January 1, 2013. Any changes were discussed with the recordkeeper, if implemented. The procedures manual will be updated to reflect the changes in the plan document that were adopted.	Implemented.  OIO reviewed the current policies and procedures and Plan Documents that were updated 10/25/18.
4	Require that the Agency Pension Plan Director/ COTR conduct periodic reviews of the Trustee's distribution process to assure compliance with regulatory rules and contract terms.	We agree with the recommendation. The OFT Pension Plan Director/ COTR will implement quarterly reviews of the distribution process with the recordkeeper at the quarterly team meetings. Copies of the policies and procedures will be distributed and reviewed by the Pension Committee to ensure compliance.	Implemented.  Process which has since changed was instituted in June 2014 during prior audit.

## **Objectives, Scope, and Methodology**

The objectives of our audit were to: 1) determine OFT's compliance with laws and regulations, policies and procedures governing the District's pension plans; and 2) assess the effectiveness of internal controls over OFT's management of the pension plans. We also followed up on prior audit findings. The audit covered the period October 1, 2016 to September 30, 2018.

To accomplish our objectives, we reviewed OFT Pension Plan Policies and Procedures Manual, Plan Documents for the 401(a) and 457 Plans. We met with and conducted interviews with the relevant OFT Pension Program Staff to gain an understanding of the OFT's management of the Plans. We reviewed monthly Asset reconciliation, participant distributions and forfeitures for both FY 2017 and FY 2018. We selected statistical samples of distributions for both Plans for FY 2017 and FY 2018. Additionally, we selected samples of forfeitures processed in FY 2017 and FY 2018. and reviewed supporting documentation for the sampled transactions.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain enough, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



- October 2016 through December 2017, reconciliations were not completed by the pension analysts within 30 days after the month-end;
- No evidence of sign-offs or late sign-offs by the Program Manager and Program Director;
- February 2017 through September 2018 reconciliations were signed by the Program Director with no dates.

OIO noted that the reconciliations indicated review by the Program Director as evidenced by review notes to the Pension Analysts. However, due to the lack of dates and signatures by the Program Manager and/or Program Director, OIO could not determine if the asset reconciliations were completed timely.

Similarly, the monthly reconciliation test work for the 457 Plan showed that all 24 months were not compliant with OFT policies and procedures. The Monthly Unit Reports did not have the following: dates when the ICMA-RC data was received; Pension Analyst completion dates; and no sign-off dates by the PPD. The Program Director did have review notes on each recommendation; however, we were unable to determine whether the reconciliations were completed monthly as required.

When OIO inquired, the Program Director stated that she only signed her name when she deemed the reconciliation was complete; however, OFT procedures 20020301-1H.40 states the pension analyst prepares monthly and the Program Director certifies the report. To ensure that assets are properly stated, and reconciling items are resolved, the process must be completed timely.

OFT was also cited for non-compliance in the reconciliation process in our prior audit (OIO 13-01-08 OFT). In that audit, we found that OFT did not complete the monthly asset reconciliations in a timely manner (see Table 1 recommendation 1 on page 4 of this report). In their response on June 23, 2014, OFT management recognized the issue and stated they would hire an additional analyst to resolve the issue. The analyst was hired, however, the issue of untimely completion of asset reconciliation persists. OIO briefed OFT management during our audit and they stated they are in the process of bringing in "Best Practices" consultants to improve the asset reconciliation process.

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## **Recommendation**

We recommend the DCFO/Treasurer, OFT:

1. Review the current reconciliation process to find a more effective way to ensure the reconciliations are performed in a timely manner.

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## MANAGEMENT RESPONSE AND OIO COMMENTS

### **Management Response (Recommendation 1):**

OFT agreed with the recommendation and stated that they are in the process of engaging an accounting firm to review, evaluate and recommend best practices for the monthly reconciliation processes for the retirement and college savings programs. Additionally, OFT plans to hire additional staff to assist with the increasing workload.

### **OIO Comment:**

The planned corrective actions are responsive and meet the intent of the recommendation.

## **Finding 2: Missing Plan Participants Documentation**

We found three of the 120 distributions tested for the 457 Plan did not have supporting documentation such as completed and signed Distribution Request Forms. The three disbursements were initially processed by the prior Trustees and the participants had received installment payments for several years; however, the new Trustee is required to maintain all participant documentation based on IRS Guidelines on Document Retention for Retirement Plans which requires that Plan documents are retained by the Plan Administrator until all benefit have been paid.

To test distributions, OIO requested and received through OFT, the ICMA-RC distribution reports for FY 2017 and FY 2018 for the 401(a) and 457 Plans. To verify that the 401(a) and 457 Plan distributions were supported, we selected statistical samples<sup>1</sup> of participants from both Plans who received distributions during FY 2017 and FY 2018. as follows:

**Table 4: Summary of Plan Distributions and Sample Size  
for FYs 2017 and 2018**

<b>Year</b>	<b>401 (a) Plan Distributions</b>	<b>401(a) Plan Sample Size</b>	<b>457 Plan Distributions</b>	<b>457 Plan Sample Size</b>
2017	2,986	60	3,996	60
2018	3,469	60	4,283	60
Total	6,455	120	7,752	120

Source: OIO

To verify that the selected distributions were supported, we reviewed the completed Distribution Request Forms. We also verified that the DCHR signed off on the forms to certify that the participant had either retired, resigned or their services were terminated. For emergency withdrawals, we verified that the required support and forms were completed. Additionally, we verified that for Required Minimum Distributions (RMD), notices were sent to the participants informing them of the disbursements.

Our review of the 120 sample 401(a) Plan distributions for the audit period did not identify any exceptions; however, in our review of the 457 Plan disbursements, we could not obtain support for three of the 120 distributions selected. In our prior audit, we recommended that OFT require the Trustee retain documentation for plan participants until all payments are completed; however, this has not been fully achieved. This has resulted in non-compliance with IRS guidelines.

<sup>1</sup> The statistical sample criteria for all samples were: Confidence level 95%, materiality level 5%, and 0 error rate.

## **Recommendations**

We recommend the DCFO/Treasurer, OFT:

2. Require that the Pension Plan Director enforce the document retention requirements with the current Plan Manager to ensure that they maintain all participant documents.
3. Require the Pension Plan Director to follow-up with prior Plan Administrators to locate the missing participant documents.

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## **MANAGEMENT RESPONSE AND OIO COMMENTS**

### **Management Response (Recommendation 2):**

OFT agreed with the recommendation and stated that the Program Director has advised ICMA-RC, current recordkeeper, about the IRS requirement to maintain all initial installment distribution requests until the participant is fully paid.

### **OIO Comment:**

The planned corrective action is responsive and meets the intent of the recommendation.

### **Management Response (Recommendation 3):**

OFT agreed with the recommendation and sent a letter to the prior plan administrator requesting the missing participant documents.

### **OIO Comment:**

The corrective action taken is responsive and meets the intent of the recommendation.

**Exhibit A:**

**Summary of Recommendations and Benefits**

No.	Recommendation	Type of Benefit	Agency Reported Estimated Completion Date	Status <sup>2</sup>
1	Review the current reconciliation process to find a more effective way to ensure the reconciliations are performed in a timely manner.	Internal Control & Process Improvement	9/30/19	Open
2	Require that the Pension Plan Director continue to monitor the current Plan Manager to ensure that they maintain all participant documents.	Internal Control	9/30/19	Open
3	Require that the Pension Plan Director to follow-up with prior Plan Administrators to locate the missing participant documents.	Internal Control & Process Improvement	4/29/19	Closed

<sup>2</sup> This column provides the status of the recommendation as of the report date. For final reports “Open” means management and the OIO are in agreement on the action to be taken, but the action is not complete. “Closed” means that management advised that the action taken needed to correct the condition is complete. If a completion date was not provided the date of management’s response was used. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

**Exhibit B: Review of Pension Fund's Monthly Assets Reconciliations (by Month)**

**RECONCILIATION TESTING - 401 (A) Plan**

**FY 2017 - October 2016 to September 2017**

<b>Reconciliation Month</b>	<b>Date Received from ICMA</b>	<b>Analyst Completion/Date</b>	<b>Program Manager Review/Date</b>	<b>Program Director Signature</b>
October-16	11/20/2016	1/5/2017	Not signed/dated	9/25/2017
November-16	12/20/2016	2/9/2017	Not signed/dated	9/25/2017
December-16	1/20/2017	2/10/2017	3/13/2017	9/29/2017
January-17	2/20/2017	3/13/2017	3/13/2017	9/29/2017
February-17	3/20/2017	4/15/2017	Signed by PD	signed no date
March-17	4/20/2017	5/16/2017	Signed by PD	signed no date
April-17	5/20/2017	5/24/2017	Signed by PD	signed no date
May-17	6/20/2017	7/10/2017	Not signed/dated	signed no date
June-17	7/21/2017	7/26/2017	signed no date	Not signed/dated
July-17	8/21/2017	Not dated	Signed by PD	Not signed/dated
August-17	9/21/2017	9/28/2017	Signed by PD	Not signed/dated
September-17	date error	10/27/2017	Signed by PD	Not signed/dated

**FY 2018 - October 2017 to September 2018**

<b>Reconciliation Month</b>	<b>Date Received from ICMA</b>	<b>Analyst Completion Date</b>	<b>Manager Review Date</b>	<b>Program Director Signature</b>
October-17	11/20/2017	11/28/2017	Not signed	Signed/no date
November-17	12/20/2017	12/28/2017	Signed/no date	Signed/no date
December-17	1/22/2018	1/29/2018	Signed/no date	Signed/no date
January-18	2/22/2018	2/27/2018	Signed/no date	Signed/no date
February-18	3/20/2018	3/26/2018	Signed/no date	Signed/no date
March-18	date error	4/26/2018	4/30/2018	Signed/no date
April-18	5/20/2018	5/20/2018	6/1/2018	Signed/no date
May-18	6/20/2018	6/27/2018	6/29/2018	Signed/no date
June-18	7/20/2018	7/24/2018	7/27/2018	Signed/no date
July-18	8/20/2018	8/29/2018	9/5/2018	Signed/no date
August-18	9/20/2018	9/26/2018	10/1/2018	Signed/no date
September-18	10/20/2018	10/30/2018	11/2/2018	Signed/no date

**RECONCILIATION TESTING – 457 Plan  
 October 2016 to September 2018**

**FY 2017 – October 2016 to September 2017**

<b>Reconciliation Month</b>	<b>Date Received from ICMA</b>	<b>Analyst Completion Date</b>	<b>Program Director Signature</b>
October-16	No dates	Not Signed/dated	Signed/no date
November-16	No dates	Not Signed/dated	Signed/no date
December-16	No dates	Not Signed/dated	Signed/no date
January-17	No dates	Not Signed/dated	Signed/no date
February-17	No dates	Not Signed/dated	Signed/no date
March-17	No dates	Not Signed/dated	Signed/no date
April-17	No dates	Not Signed/dated	Signed/no date
May-17	No dates	Not Signed/dated	Signed/no date
June-17	No dates	Not Signed/dated	Signed/no date
July-17	No dates	Not Signed/dated	Signed/no date
August-17	No dates	Not Signed/dated	Signed/no date
September-17	No dates	Not Signed/dated	Signed/no date

**FY 2018 – October 2017 to September 2018**

<b>Reconciliation Month</b>	<b>Date Received from ICMA</b>	<b>Analyst Completion Date</b>	<b>Program Director Signature</b>
October-17	No dates	Not Signed/dated	Signed/no date
November-17	No dates	Not Signed/dated	Signed/no date
December-17	No dates	Not Signed/dated	Signed/no date
January-18	No dates	Not Signed/dated	Signed/no date
February-18	No dates	Not Signed/dated	Signed/no date
March-18	No dates	Not Signed/dated	Signed/no date
April-18	No dates	Not Signed/dated	Signed/no date
May-18	No dates	Not Signed/dated	Signed/no date
June-18	No dates	Not Signed/dated	Signed/no date
July-18	No dates	Not Signed/dated	Signed/no date
August-18	No dates	Not Signed/dated	Signed/no date
September-18	No dates	Not Signed/dated	Signed/no date

**Appendix 1:**

**AGENCY RESPONSE**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Chief Financial Officer**

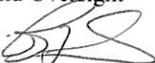


**Office of Finance and Treasury**

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**MEMORANDUM**

**TO:** Timothy Barry, Executive Director  
Office of Integrity and Oversight

**FROM:** Bruno Fernandes   
Deputy CFO and Treasurer

**DATE:** May 7, 2019

**SUBJECT:** Audit Response to Internal Controls over the Office of Finance and Treasury's  
("OFT") Retirement Fund Operations (OIO No. 18-01-23-OFT)

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Attached is the response to the audit report for the Office of Finance and Treasury's Retirement Fund Operations.

If you have any questions or require additional information, please contact Eugenia Collis at 727-3382.

Attachments

Cc: Eugenia Collis, Associate Treasurer

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1101 4 Street SW, Suite 850, Washington, D.C. 20024 (202) 727 - 6055

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE CHIEF FINANCIAL OFFICER

Office of the Chief Financial Officer



April 29, 2019

VIA FAX, 855-846-0786

Sara Shoaf  
Financial Services Specialist  
Nationwide Retirement Services  
P.O. Box 182797  
Columbus, Ohio 43218-2797

Re: District of Columbia 457(b) Deferred Compensation Plan Installment Payments for  
Account #0035

Dear Ms. Shoaf:

During the time that your firm was the plan administrator for the District of Columbia ("District") 457(b) Deferred Compensation Plan ("Plan") our attached records reflect that the following three participants elected to take installment distributions:

- 1) Annie Fuller, xxx-xx-0477
- 2) Wesley Henry, xxx-xx-9481, and
- 3) Moses Mobley, xxx-xx-5721

A recent audit of the Plan revealed that document retention is required by the Trustee for Plan participants until all installment payments are completed, per the Internal Revenue Service. Therefore, the District is requesting a copy of the participant's initial distribution form for our records. The listed participants above are currently receiving installment payments.

Please feel free to contact me should you have any questions or to obtain the full SSNs via email at [Rodney.Dickerson@dc.gov](mailto:Rodney.Dickerson@dc.gov), or at the telephone number 202-727-0107 or address below.

Sincerely,

A handwritten signature in black ink that reads "Rodney Dickerson".

Rodney Dickerson  
Interim Program Director  
457(b) Deferred Compensation Plan

Attachment

CC: Merzie Davis

**Office of Finance and Treasury**  
**Audit of Internal Controls over Retirement Fund Operations (OIO No. 18-01-23 OFT)**

<b>Finding #</b>	<b>Finding/ Recommendation</b>	<b>Action Taken or Planned</b>	<b>Target Date for completion of Planned Actions</b>	<b>Official Responsible for Implementing the Actions</b>
1	<p>Monthly Asset Reconciliations were not Completed Timely.</p> <p>Review the current reconciliation process to find a more effective way to ensure the reconciliations are performed in a timely manner.</p>	<p>We agree with the Finding. OFT is in the process of engaging an accounting firm to review, evaluate and recommend best practices for the monthly reconciliation processes for the retirement and college savings programs. Even though the monthly reconciliations were not certified by the program director, they were reconciled timely by the financial analyst and financial manager for the Plans. In the interim, monthly reconciliations will be a focus of the retirement group.</p> <p>The demands of the group continued to increase (including several projects such as the implementation of the 457(b) "3 percent match" and "auto enrollment" for new employees required significant allocation of resources). We plan to hire additional staff to assist with the increasing workload.</p>	<p>Best Practices Study for Reconciliations by 9/30/19.</p> <p>Started recruiting process. Targeting new staff to be on board by 9/30/19.</p>	<p>Eugenia Collis, Associate Treasurer Asset Management</p> <p>Rodney Dickerson Interim Program Director</p>

2	<p>Missing Plan Participants Documentation</p> <p>Require that the Pension Plan Director enforce the document retention requirements with the current Plan Manager to ensure that they maintain all participant documents.</p> <p>Require the Pension Plan Director to follow-up with prior Plan Administrators to locate the missing participant documents.</p>	<p>We agree with the Finding. The Program Director has advised ICMA-RC, current recordkeeper, about the IRS requirement to maintain all initial installment distribution requests until the participant is fully paid. This process is included in the policies and procedures manual which was shared with ICMA-RC.</p> <p>The documentation in question were for three participants who elected to have installment payments, e.g., monthly, quarterly, semi-annually or annually, prior to ICMA-RC and Voya (the record keeper prior to ICMA-RC). At the time of transfer, the supporting documents were not transferred from Nationwide (the recordkeeper prior to Voya) only the amount of the installment payment.</p>	<p>See attached letter again requesting Nationwide Retirement Solutions provide the documents for the three (3) participants who were in the sample selected by OIO.</p>	<p>Eugenia Collis                  Associate Treasurer                  Asset Management</p> <p>Rodney Dickerson                  Interim Program                  Director</p>
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