



Council Auditor's Office

Follow-Up on Compensation and Benefits Division Audit

Report #787B

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OFFICE OF THE COUNCIL AUDITOR
 Suite 200, St. James Building



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Honorable Members of the City Council
 City of Jacksonville

The purpose of this report is to document our second follow-up review of our past report #787, Compensation and Benefits Division Audit, and to determine whether corrective action has been taken in response to our remaining findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report and follow-up report can be found on our website.

We sent a follow-up letter to the City’s Chief Administrative Officer on May 24, 2022, inquiring as to the status of the remaining original audit report recommendations after the first follow-up report. We reviewed the recommendations from our audit, the auditee’s responses to the recommendations, and the auditee’s responses to our follow-up letter. We then performed limited testing to verify the responses. Of note, since we performed our first follow-up, the administration of the health plan for public safety employees was transferred from the City to the unions. The administration of the separated plans was not subject to this follow-up since it was not part of the original audit.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared Prior to This Follow-up	Remaining Issues Prior to This Follow-up	Issues Cleared During This Follow-up	Remaining Issues
Internal Control Weaknesses	2	2	0	0	0
Findings	9	4	5	4	1
Opportunities for Improvement	5	3	2	2	0
Total	16	9	7	6	1

The following is a brief summary of the remaining issue with responses from Diane Moser, Director of Employee Services, that we received on December 2, 2022.

Finding 2-1 *Issues with Collecting Premiums for Retired Employees*

During the original audit, we found issues with collecting premiums from retired employees who chose to keep their City health insurance. There were four retirees who were health plan members but from whom the City failed to collect premiums. There were also two retirees who were health plan members that had passed away a few years prior. We recommended that an exception report be created that would flag situations where a deduction was missing on a pension paycheck for a retiree and prepare a periodic reconciliation of retirees who pay via checks. During the first follow-up, we found that this issue was not fixed.

During this follow-up, in looking at all 441 health plan participants as of May 2022 who were retirees, former elected officials, and survivors of those groups, we found three retirees who were health plan members, but from whom the City failed to collect premiums. All three of them were not members of a City defined benefit pension plan; therefore, there were no pension paychecks from which a reoccurring deduction could be made from. The number of individuals not on the defined benefit pension plan will continue to increase since the defined benefit pension plan closed to new members on October 1, 2017, and General Employee Pension Plan members also have the ability to switch to the defined contribution plan prior to separation. Given this, we now also recommend that the division consider implementing some system/application to keep track of premium payments that cannot be collected via pension paycheck deduction instead of continuing to track them in a spreadsheet to ensure that all premiums are properly paid.

Compensation and Benefits Division Response to the Follow-Up of Finding 2-1

Agree

Disagree

Partially Agree

We have made the recommended changes to improve our current process. We have requested, through ITD, to look at automating this through the new One Cloud system.

We would like to thank the Compensation and Benefits Division for their cooperation in conducting this follow-up review.

Respectfully submitted,

Kim Taylor

Kim Taylor, CPA
Council Auditor