

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

District of Columbia

**TEACHERS' AND POLICE OFFICERS AND
FIREFIGHTERS' RETIREMENT FUNDS**

**Report on Internal Control
Over Financial Reporting and Compliance
For the Year Ended
September 30, 2013**



**BLANCHE L. BRUCE
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 11, 2014

The Honorable Vincent C. Gray
Mayor
District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Gray and Chairman Mendelson:

In connection with the audit of the District of Columbia's (the District) general purpose financial statements for fiscal year (FY) 2013, CliftonLarsonAllen LLP (CLA) submitted the enclosed report on the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Total Fund), OIG Report No. 14-1-19MA(b). This report sets forth CLA's comments and recommendations to improve internal control and other operating efficiencies.

This report identifies one significant deficiency. 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is important enough to merit attention by those charged with governance. The significant deficiency identified in the report is validation of census data. However, the results of tests performed disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

While the Office of the Inspector General will continue to assess the District's implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. This Office will work with managers, as appropriate, to help them monitor the implementation of recommendations.

Mayor Gray and Chairman Mendelson
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If you have questions or need additional information, please contact Ronald W. King,
Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Blanche L. Bruce
Interim Inspector General

BLB/ws

Enclosure

cc: See Distribution List

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The Honorable José E. Serrano, Ranking Member, House Subcommittee on Financial Services and General Government, Attention: Angela Ohm (via email)

Mayor Gray and Chairman Mendelson
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The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations
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CliftonLarsonAllen

Independent Auditors' 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*

Board of Trustees
District of Columbia Teachers' Retirement Fund and the
District of Columbia Police Officers and Firefighters' Retirement Fund

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 District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Total Fund), which comprise the combining statement of plan net position as of September 30, 2013, and the related combining statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Total Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Total Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Total Fund'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

Validation of Census Data

Census data for the Total Fund is accumulated in multiple locations which makes it difficult to control and increases the likelihood of errors in the data. To address this risk, management has developed limited reviews of the census data before it is provided to the actuary for calculation of the actuarial liability and the annual required contributions. In addition, management is currently in the process of procuring and implementing a pension information system that will provide additional control over the census data. Until the pension information system is fully functional, we recommend management expand the reviews currently performed to include validation of data submitted by the District of Columbia and Federal agencies prior to submission to the actuary to ensure it is complete and accurate and to mitigate the likelihood of errors in calculating the actuarial liability and the annual required contributions. In addition, we recommend management work with all appropriate District and Federal agencies to assure that all census and retirement related data is made accessible so that these expanded reviews can be performed.

Management's Response:

The pension information system that management is implementing will track all census data. As part of the acquisition of this system, the data for active, inactive and retired members will be collected, certified and uploaded to the new system. Prior to implementation of the pension information system, management plans to work with the District of Columbia and Federal agencies to establish review processes intended to provide more confidence in the completeness and accuracy of the census data that they provide to the actuary.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Total Fund'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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 Total Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
January 6, 2014