

MONTANA PUBLIC EMPLOYEES RETIREMENT ADMINISTRATION
INTERNAL AUDIT REPORT OVER BENEFIT PAYMENTS

TO: Dore Schwinden, Executive Director, MPERA
Hollie Koehler, Fiscal Services Bureau Chief, MPERA
Mark Bruno, Bureau Chief, Office of Finance and Budget, Department of Administration

FROM: Chuck Richardson, Financial Quality Analyst, Department of Administration

DATE: September 28, 2016

RE: Internal Audit Report for MPERA Benefit Payments

In compliance with the Memorandum of Understanding between the Department of Administration (DOA) and Montana Public Employees Retirement Administration (MPERA), I conducted internal audit services related to benefit payments. During the audit, I found no significant errors in internal control or in retirement benefit calculations.

CONTEXT: MPERA administers eight different retirement systems: the Public Employees'; Judges'; Highway Patrol Officers'; Sheriffs'; Game Wardens' and Peace Officers'; Municipal Police Officers'; Firefighters'; Volunteer Firefighters' Compensation Act; and State's Deferred Compensation Plan. In fiscal year 2016, members of the Public Employees Retirement System (PERS) comprised approximately 84% of all retirement system members receiving regular monthly benefit payments (21,159 of 25,157) and received approximately 81% of the total monthly retirement benefit payment amount (\$29.65 million of \$36.52 million).

SCOPE: The audit was limited to retirement benefits paid during fiscal year 2016. Because PERS members comprise the significant majority of MPERA-managed retirement system members and receive the significant majority of retirement benefit payments, the audit was limited to the PERS system. Additionally, due to prior audits of benefit payment calculations, the risk of improper benefit calculations for members who retired prior to fiscal year 2016 was determined to be low. The greatest risk was determined to be in benefit calculations for members who retired in fiscal year 2016 and therefore had their benefits calculated during that year. The audit therefore covered all retirement benefit calculations for PERS members who retired during fiscal year 2016. These 1,143 members received monthly benefits totaling \$1,938,613.

Note: Because MPERA converted in fiscal year 2017 to a new system for collecting member information and calculating retirement benefits, the audit over fiscal year 2017 should have a significantly expanded scope, covering additional retirement systems and all members, including those who retired prior to the year audited.

METHODOLOGY: Twenty-five (25) of the 1,143 PERS members who retired during fiscal year 2016 were randomly selected for testing. For each of the selected members, the estimate request,

calculation forms, and supporting documentation were obtained and reviewed to determine whether the member was eligible for retirement and whether the benefit calculation was performed accurately and was verified by at least one other analyst.

RESULTS: All 25 tested retirees were eligible for retirement, benefit amounts for all 25 were calculated correctly, and all 25 calculations were verified by a second analyst. No errors were detected.

CONCLUSION: Based on the above testing, I conclude that internal controls over retirement benefit calculations were in place and operating effectively during fiscal year 2016. I further conclude that retirement benefit calculations performed for PERS members who retired during fiscal year 2016 were materially performed correctly.