

**AUDIT OF HAMILTON COUNTY'S
PENSION CENSUS REPORTS
FEBRUARY 2023**



OFFICE OF INTERNAL AUDIT
455 N. HIGHLAND PARK AVENUE
CHATTANOOGA, TENNESSEE 37404

WESTON WAMP
COUNTY MAYOR

BOARD OF COMMISSIONERS
D.C. (CHIP) BAKER
GREG BECK
MIKE CHAUNCEY
JEFF EVERSOLE
JOE GRAHAM
LEE HELTON
STEVE HIGHLANDER
WARREN MACKAY
DAVID SHARPE
GENE-O SHIPLEY
KEN SMITH



JENNETH RANDALL, CPA, CGFM, CCFO
COUNTY AUDITOR

CHRIS MCCOLLOUGH, CPA, CCFO
ASSISTANT COUNTY AUDITOR

AUDIT STAFF
AUSTIN DURALL, CFE, CGFM, CCFO
PHILLIP EDWARDS, CPA, CCFO
JAMESSETTA GRAY, CCFO
TRACY HOLL
ROGER KINCER, CCFO
MARICELA MADERA
JOHNETTA TRUSS, CCFO

HAMILTON COUNTY, TENNESSEE

OFFICE OF INTERNAL AUDIT

To: County Mayor Weston Wamp
Chairman Chip Baker
Hamilton County Commissioners

From: Jenneth Randall, County Auditor

Date: February 10, 2023

Subject: Audit of Hamilton County Pension Census Reports from the
Tennessee Consolidated Retirement System

BACKGROUND

Hamilton County has seven pension plans, with the majority of County and School employees participating in one of four plans provided by the Tennessee Consolidated Retirement System (TCRS) as follows:

1. "County Legacy Plan" for employees and school classified¹ employees up to September 30, 2015
2. "County Hybrid Plan" for all new employees and school classified employees beginning October 1, 2015
3. "Teacher Legacy Plan" for school certified² employees up to June 30, 2014
4. "Teacher Hybrid Plan" for all new school certified employees beginning July 1, 2014

Hamilton County acts as Trustee for three additional retirement plans: Employees' Pension Plan (closed), Teachers' Pension Plan (closed), and Commissioners' Pension Plan (open).

¹ Non-teachers i.e. non-certified

² Teachers, librarians, nurses, school counselors, administrators, ROTC instructors, teacher supervisors, physical/occupational therapists, psychologists, etc.

AUDIT OBJECTIVES

The objectives of our audit of the State’s TCRS census reports for Hamilton County were to:

1. review the State’s reports and compare to the County’s applicable payroll ledgers and Human Resource records;
2. ensure detailed information appears correct in order to protect current, inactive and retired employees;
3. ensure that “classified” employees of Hamilton County Schools are properly included on Hamilton County’s Census reports, as required;
4. ensure active employees on payroll at 6/30/2020 are properly included; and
5. request the State to update census reports on any inaccuracies found.

AUDIT SCOPE

The scope of our audit included testing the State’s TCRS census reports for Hamilton County for fiscal year ended 06/30/2020 as follows:

• Legacy – Current employees	1,857
• Legacy – Inactive ³ employees	2,385
• Legacy – Retired employees	<u>2,683</u>
	6,925
• Hybrid – Current employees	1,148
• Hybrid – Inactive ³ employees	534
• Hybrid – Retired employees	<u>1</u>
	1,683

AUDIT RISK

We considered the following risks:

- that years of service credit given could be over/under stated;
- whether employees listed were still actively employed;
- whether retirees getting pension payments were still living;
- whether names listed were ever employed by Hamilton County;
- whether names listed should be on a different government’s census report; and
- whether duplication of names were found.

³ No longer employed, but not yet retired

AUDIT PROCEDURES

Our audit procedures included a review of the following:

1. Six TCRS Census reports, as noted above, and compared to Hamilton County's internal reports "Employee Listing Alpha" and "P-20";
2. LEGACY - test of 20 names to confirm they are(were) an employee and agree personal data, such as date of birth and service months, to the county's data base;
3. LEGACY – extended test of 40 names to confirm they are(were) an employee;
4. HYBRID – test of 20 names to confirm they are(were) an employee and agree personal data such as date of birth and service months to the county data base;
5. HYBRID – extended test of 40 names to confirm they are(were) an employee;
6. Inclusion test – selected 40 employees from the County's list of 6/30/2020 employees and determined they were included on the applicable TCRS Census report;
7. Inclusion test - selected 40 employees from the County's list of 6/30/2020 EMS and 911 employees and determined they were included on the applicable TCRS Census report;
8. Duplicate names test - compared all names on the TCRS Census reports for Hamilton County to TCRS Census reports for Hamilton County Schools to ensure no duplicates;
9. Job classification test – tested job classification of School Nurses to determine if they are to be certified, rather than identified as classified (84 employees);
10. Test of cumulative time of active employees – compare "Service Credit" for the year to "Service Credit" for cumulative years for discrepancies;
11. Classified employee test – test of 49 "classified" education employees shown on the County's "Active Census HYBRID" report to confirm they were actively employed with the schools according to dates shown (via Hamilton County School's Munis software system). Also, tested 51 employees from the "Active Census LEGACY" report for same;
12. Current employee test – test of 119 employees on the County's "HYBRID Active Census" report to confirm based on last contribution date and classification. Also, tested 29 county employees and 16 "classified" school employees on the County's "LEGACY Active Census" report for same;
13. LEGACY Inactive Census report Loss of Membership test – tested 2,385 employees for those still listed who have lost their 'membership' due to not being vested *and* having been gone more than 7 years.

14. LEGACY Retired Census report for test of Deceased and Duplicates – test aged employees using various on-line methods to determine who may need to be removed and test of duplicates noted on same report;
15. HYBRID test of Current Census report for employees who are neither Hamilton County nor Hamilton County School employees; and
16. Document and communicate discrepancies found that are to be corrected by the State TCRS program.

AUDIT ITEMS ADDRESSED

1. One employee had two social security numbers. *TCRS was in agreement with us, thus properly merged the two records into the correct social security number.*
2. Per the TCRS Employer Manual, Nurses are considered “certified” employees thus should be moved from Hamilton County’s Census reports to Hamilton County Schools’ Census reports. *See below under “AUDITOR’S CONCLUSION” for further explanation.*
3. One employee was listed on the “Inactive” TCRS Census Legacy report who is still employed with Hamilton County. *TCRS has corrected this error and the employee is properly on the “Active” report at 6/30/2021.*
4. One deceased employee appears they should be removed from the census report. *Per TCRS, this employee will be properly removed by 6/30/2022 due to the beneficiary being paid their final payment on 05/2022.*
5. Twenty-two names were not current employees at 6/1/2020 and should be inactive. *These names were properly moved from active to the inactive report on the following year 6/30/2021 census report.*
6. Thirty-six employees were properly included on the Hamilton County School’s Hybrid Census report, however these same employees were duplicated on Hamilton County’s Census report. *According to Rena Olden, with TCRS, it is common for names to be on both lists because some teachers also work classified jobs.*
7. One employee is shown on the Hybrid Inactive report at 06/30/2020 with recent contribution activity on the Inactive report as of 06/30/2021. *TCRS confirmed that he was properly on the Hybrid inactive classified list at 06/30/2020. However, his contribution activity after 06/30/2020 is due to the employee changing from inactive classified status to active certified status by 6/30/2021.*
8. Five duplicates were found on the Legacy retired report. *According to Rena Olden, with TCRS, these are not duplicates but are correctly reported based on their individual retirement circumstances.*

9. Thirty employees employed at charter schools within Hamilton County are not Hamilton County employees nor Hamilton County School employees. ***Rena Olden, with TCRS, informed us that all Charter school employees are properly covered under the Hamilton County TCRS Pension Plan and are correct to be included on the respective census reports.***

AUDITOR'S CONCLUSION

In our opinion, the June 30, 2020 census reports provided to Hamilton County from the Tennessee Consolidated Retirement System were accurate in all materials respects. However, our examination found one issue that needs to be corrected:

Observation –

All non-certified employees with Hamilton County Schools are listed on Hamilton County's census reports, while all certified teachers are on the Hamilton County Schools' census reports. We observed the job title of "nurse" on Hamilton County's census reports, and researched whether they were correctly classified.

TCA Code 8-34-101(49) explicitly states the definition of a teacher means "any other position whereby the state requires the employee to be certified as a teacher or licensed as a nurse". The State informed us that effective January 2019, newly hired licensed nurses were required to be included as certified employees, the same as teachers.

Recommendation –

Hamilton County Schools should contact TCRS and move all licensed nurses, newly hired as of January 1, 2019, from Hybrid "classified" to Hybrid "certified".

Response –

We concur with the County Auditor and have followed the recommendation above. As of the date of this report, we have moved the 42 nurses impacted by this recommendation from classified to the certified plan. We will be sure to include all new hires (whose position is defined as a teacher) on the certified plan, as required by TCA code.

We have reviewed our work with Ms. Candice Gilreath, with the Tennessee Consolidated Retirement System, Ms. Rena Olden and Ms. Mary Collins, with the Tennessee Department of Treasury.

We would like to thank the Human Resources Department, Payroll Department and Hamilton County Schools for their assistance. If you have any questions you may contact me at 209-6210 or Chris McCollough, at 209-6212.



Jenneth Randall, County Auditor

Staff Assigned to Audit

Jenneth Randall, County Auditor
Phil Edwards, Auditor

copy: Claire McVay, Chief of Staff
Lee Brouner, Administrator of Finance
Vonda Patrick, Assistant Administrator of Finance
Sandra Ellis, Administrator of Human Resources
Jenny Godwin, Director of Human Resources
Patricia Mitchell, Legislative Administrator
Justin Robertson, Superintendent, Hamilton County Schools
Mary Ellen Heuton, Chief Financial Officer, Hamilton County Schools