



CITY OF TAMPA

Internal Audit Department

Cynthia D. Miller, Audit Director

February 28, 2003

Honorable Dick A. Greco
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Firefighters and Police Officers Pension Plan, Audit 03-03

Dear Mayor Greco:

Attached is the Internal Audit Department's report on the Firefighters and Police Officers (F & P) Pension Plan. Internal Audit Director, Cynthia D. Miller, recused herself from taking part in this audit since she is a member of the Pension Fund's Board of Trustees.

We thank the management and staff of the F & P Pension Plan office for their cooperation and assistance during this audit.

Sincerely,

Allan Nicks
Deputy Director of Internal Audit

cc: Jennifer Campbell, Fire and Police Pension Plan Administrator
Marc Hamlin, Fire and Police Pension Board of Trustees Chairman
Samuel H. Halter, Chief Administrative Officer
Henry G. Ennis, Jr., Revenue and Finance Director
Jim Stefan, Budget Officer

**CITY OF TAMPA
FIREFIGHTERS AND POLICE OFFICERS PENSION PLAN
AUDIT 03-03
FEBRUARY 28, 2003**

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Auditor

Audit Supervisor

Deputy Director

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INTRODUCTION

The Tampa Fire & Police Pension Plan was established by a Special Act of the Florida Legislature and is administered by a nine member Board of Trustees. The Board consists of three active police officers, three active firefighters and three members of the City Administration appointed by the Mayor. The fire and police members are elected by vote of the active and retired members of either the Fire or Police Department. Trustee terms are three years in length with terms beginning November 1 and ending October 31. One trustee from each category is up for election/appointment each year so that in any given year, no more than one third of the board should turn over, providing continuity and retention of institutional knowledge. The pension board meets monthly at the pension office, generally on the fourth Tuesday of the month. The Board is authorized by the pension contract to adopt policies and procedures to administer the pension fund in an effective and efficient manner and to ensure compliance with applicable state and federal laws (such as Chapter 175, Chapter 185, Chapter 112 of the Florida Statutes, the Internal Revenue Code, etc., which shall have the force of law).

The Plan Administrator and the Fire & Police pension office support staff handle the day-to-day administration of the pension fund. The Board has the authority to hire staff; contract with professionals, and to establish appropriate compensation. The staff receives City of Tampa paychecks and is eligible for group health and life insurance and other City of Tampa fringe benefits; however, the pension fund reimburses the City, monthly, for the salaries and employee benefits.

The pension plan was last amended by Chapter 2002-369, Laws of Florida, which authorized approximately 60 plan members who had previously been ineligible to join the F&P pension fund due to exceeding the maximum hiring age (formerly age 31). These employees were placed in the General Employees B pension plan and Social Security. This act also allowed the purchase of past GE-B credited service in the F&P plan.

On May 23, 1998 the Deferred Retirement Option Program (DROP) became effective. The program allows the employee to continue working while having their calculated pension benefits frozen as if the employee were taking a regular longevity retirement. The monthly benefits are credited to the DROP participant's account.

STATISTICS

The sources of income to the pension fund are employee contributions, employer contributions, state premium tax money, and investment activities (gains/losses, interest, dividends, etc.). Due to poor market conditions, the fund has not had a positive return since FY00 (September 30, 2000). Based on fiscal year end information obtained from the City of Tampa's FAMIS reports, the following reflects pension fund activity for fiscal years 2002 and 2001. Participant information was obtained from the Pension Office staff.

	<u>FY02</u>	<u>FY01</u>
Revenues / (Loss)	\$(69,053,821)	\$(229,486,465)
Operating Expense	\$ 36,683,872	\$ 34,653,335
Personnel Expense	\$ 312,334	\$ 233,443
Pensioners	1,272	1,238
DROP Participants	187	178

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY03 Audit Agenda. The objective of this audit was to determine the adequacy of internal controls over the Firefighters and Police Officers Pension Board disbursements.

STATEMENT OF SCOPE

The audit period covered Pension Board activity that occurred from October 1, 2001 through September 30, 2002. Source documentation was obtained from the Pension office. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

Based on the objective of this audit and the information obtained during the preliminary survey, internal controls were deemed adequate and no further testing performed.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSION

Based upon the information obtained and documentation reviewed during the preliminary survey, we conclude that the internal controls over the Firefighters and Police Officers Pension Board disbursements were adequate, in place and working.