

**City of Tampa
Internal Audit Department
Audit Program Guide
F/P Pension DROP Plan
Audit 00-05**

Budget Hours	Audit Procedures	Done By	W/P Ref.
<i>Background</i>			
	F/P Pension DROP Plan is a qualified pension plan under Section 401 (a) of the Internal Revenue Code. It was established effective June 6, 1998 and is available to members of the F/P pension plan who meet longevity and other requirements. Essentially, the plan allows employees to continue working while allowing pension payments credited to them and earn the rate of return that the F/P Pension is earning on Fund investments.		
<i>Statistics</i>			
	Number of participants: Active: 150 Retired: 4 Value of participants accounts: \$6.7 million 9/99 \$10 million 2/00 (est.)		
<i>Planning the Audit</i>			
	<ol style="list-style-type: none"> 1. Print Quality Control Package and process Auditor Assignment and Independence Statement page. 2. Prepare and send an entrance letter to applicable personnel in the area under review. 3. Prepare a planning program and include a time budget for the preliminary survey work. 4. Conduct an in-house review of the following: <ol style="list-style-type: none"> a) Financial Data b) Internal Policy & Procedures Manuals c) Applicable Rules, Laws and Regulations, and d) Prior internal audit reports and management comments 5. Schedule and hold an entrance conference with the Auditee. Obtain the name of the departmental contact person and secure a place from which to conduct the fieldwork portion of the audit. 6. Begin Preliminary Survey by interviewing the appropriate personnel in the Auditee Department. Document the interviews with narratives in the work file. 7. Review and document Internal Control System. (Include control points, such as the location within the system of approvals, authorizations, segregation of duties, supervision, reconciliations, computer-generated error and edit listings, exception reports, etc.) 8. After gaining an understanding of various functions, conduct several transaction walk-throughs. Revise documentation as necessary. 9. Prepare a survey memo listing the strengths and weaknesses of the system. Discuss the areas of greatest risk and exposure to the City. Also, include suggested audit objectives and test procedures. Discuss with Audit Supervisor and the Deputy Director. 10. Prepare the audit program and include a time budget and estimated completion date. Index the preliminary survey file and turn in for review. 		

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	<p>The Planning Checklist page of the Quality Control Package should be completed by the Audit Supervisor.</p> <p>11. Clear review notes and revise the audit program, if necessary.</p>		
<i>Audit Scope</i>			
	<p>Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of F/P Pension from June 6, 1998 (the date of inception) to September 30, 1999. Activity after that date that is based upon September 30 data will be included, such as distributions and earnings credits.</p>		
<i>Audit Objectives</i>			
	<ol style="list-style-type: none"> 1. Test calculations of City contributions to individual drops; 2. Test calculations of investment return; 3. Test credit of investment return to individual drops; 4. Test calculation of expenses and review adequacy; 5. Test calculation of payouts to retirees. 		
<i>Objective 1: Test calculations of City contributions to individual DROP</i>			
	<ol style="list-style-type: none"> 1. Randomly select sample of 15 participants. 2. Determine if participants meet requirements for participation. 3. Review file for appropriate authorization. 4. Calculate contributions to the retiree's accounts based upon the pension formula, including COLA's. 5. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 6. Summarize and conclude. 		
<i>Objective 2: Test calculations of investment return</i>			
	<ol style="list-style-type: none"> 7. Review investment return formula and calculations for 1998 and 1999. 8. Review calculation of the short-term interest rate. 9. Determine if rates are in accordance with plan governing documents. 10. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 11. Summarize and conclude. 		
<i>Objective 3: Test credit of investment return to individual DROP accounts;</i>			
	<ol style="list-style-type: none"> 12. From sample, determine if investment credit to participants in the sample is calculated correctly and posted to the individual accounts. 13. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 14. Summarize and conclude. 		
<i>Objective 4: Test calculation of expenses and review adequacy;</i>			
	<ol style="list-style-type: none"> 15. Review allocation of expenses attributed to the drop plan. 16. Review minutes for per cent to be assessed and adequacy of the charge. 		

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	17. Determine if it is properly charged to individual participants in the sample 18. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 19. Summarize and conclude.		
<i>Objective 5: Test calculation of payouts of retirees/beneficiaries.</i>			
	20. Test calculation of balances for all four retirees entitled to distributions. 21. Determine if short-term interest rate was properly credited. 22. Review distribution criteria, such as cut off dates, for possible problems. 23. If any retirees have died, determine if settlement was properly calculated and administered. 24. Review and recalculate determinations of the taxable and nontaxable portion of the distribution. 25. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 26. Summarize and conclude.		
<i>Audit Wrap Up</i>			
	27. Complete and index working papers. 28. Prepare a preliminary draft of the audit report. 29. Clear review notes. 30. Forward draft to auditee and request responses within 10 working days. 31. Incorporate auditee responses into the final audit report. 32. If requested, schedule and hold exit conference. 33. Quality Control Checklist of the Quality Control Package to be completed by the Deputy Director. 34. Present the audit report to the Mayor.		