

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Required Contribution - Firemen's Pension and Relief Fund
2016-002 (continued)**

West Virginia Code §8-22-19(e) also states in part:

If the allocable portion of the Municipal Pensions and Protection Fund or the Municipal Pensions Security Fund is not paid to the pension and relief fund within eighteen months, the portion is forfeited by the pension and relief fund and is allocable to other eligible municipal policemen's and firemen's pension and relief funds in accordance with section fourteen-d, article three, chapter thirty-three of this code.

CAUSE:

The City did not provide contribution payments to the Firemen's Pension and Relief Fund in a timely fashion.

EFFECT:

The Firemen's Pension and Relief Fund was not funded in accordance with statutory requirements. While the City did pay the allocable portion by the eighteen month time frame necessary to receive the allocated insurance premium surtax, they failed to remit payments necessary to meet statutory requirements and the assumptions of the July 1, 2014 actuarial study. The failure to fund the plan in a timely manner could potentially increase the required funding in future periods.

REPEAT FINDING:

Yes. Prior year audit finding: 2015-004.

RECOMMENDATION:

The City should rectify the shortfall in the current fiscal year and endeavor to make the required contributions in a timely fashion.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Required Contribution - Policemen's Pension and Relief Fund
2016-003**

CONDITION:

It was determined during this examination that the City failed to make the minimum required contribution to the Policemen's Pension and Relief Fund in a timely fashion. Specifically, the City failed to make monthly payments totaling \$1,887,791 during the fiscal year. This was owed to the Policemen's Pension and Relief Fund by the City as of June 30, 2016 and the balance was paid in full as of November 9, 2016.

CRITERIA:

West Virginia Code §8-22-19(a) states in part:

(1) In order for a municipal policemen's or firemen's pension and relief fund to receive the allocable portion of moneys from the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, the governing body of the municipality shall levy annually and in the manner provided by law for other municipal levies and include within the maximum levy or levies permitted by law and, if necessary, in excess of any charter provision, a tax at such rate as will, after crediting: (A) The amount of the contributions received during the year from the members of the respective paid police department or paid fire department; and (B) the allocable portion of the Municipal Pensions and Protection Fund established in section fourteen-d, article three, chapter thirty-three of this code and funds from the Municipal Pensions Security Fund created in section eighteen-b of this article, provide funds equal to the amount necessary to meet the minimum standards for actuarial soundness as provided in section twenty of this article. The amount shall be irrevocably contributed, accumulated and invested as fund assets as described in sections twenty-one and twenty-two of this article. **One twelfth of each municipality's annual contributions shall be deposited with the municipality's pension trust funds as fund assets on at least a monthly basis** and any revenues received from any source by a municipality which are specifically collected for the purpose of allocation for deposit into the policemen's pension and relief fund or firemen's pension and relief fund shall be so deposited within five days of receipt by the municipality. **[Emphasis added]**

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Required Contribution - Policemen's Pension and Relief Fund
2016-003 (continued)**

West Virginia Code §8-22-19(e) also states in part:

If the allocable portion of the Municipal Pensions and Protection Fund or the Municipal Pensions Security Fund is not paid to the pension and relief fund within eighteen months, the portion is forfeited by the pension and relief fund and is allocable to other eligible municipal policemen's and firemen's pension and relief funds in accordance with section fourteen-d, article three, chapter thirty-three of this code.

CAUSE:

The City did not provide contribution payments to the Policemen's Pension and Relief Fund in a timely fashion.

EFFECT:

The Policemen's Pension and Relief Fund was not funded in accordance with statutory requirements. While the City did pay the allocable portion by the eighteen month time frame necessary to receive the allocated insurance premium surtax, they failed to remit payments necessary to meet statutory requirements and the assumptions of the July 1, 2014 actuarial study. The failure to fund the plan in a timely manner could potentially increase the required funding in future periods.

REPEAT FINDING:

Yes. Prior year audit finding: 2015-005.

RECOMMENDATION:

The City should rectify the shortfall in the current fiscal year and endeavor to make the required contributions in the current year.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Fire Pension- Retiree Benefit Calculation

2016 - 004

CONDITION:

It was determined during this examination that Fire Pension Board officials potentially failed to calculate pension benefits for retirees in accordance with statutory requirements. Specifically, it appears that benefits were calculated in excess of amounts authorized by statute.

CRITERIA:

West Virginia Code §8-22-16(d) states in part:

"...the remuneration received by the member during any twelve-consecutive-month period used in determining benefits which is in excess of an amount which is twenty percent greater than the "average adjusted salary" received by the member in the two consecutive twelve-consecutive-month periods immediately preceding the twelve-consecutive-month period used in determining benefits shall be disregarded: Provided, however, That the "average adjusted salary" means the arithmetic average of each year's adjusted salary, the adjustment made to reflect current salary rate and such average adjusted salary shall be determined as follows: Assuming "year-one" means the second twelve-consecutive-month period preceding such twelve-consecutive-month period used in determining benefits, "year-two" means the twelve-consecutive-month period immediately preceding the twelve-consecutive-month period used in determining benefits and "year-three" means the twelve-consecutive- month period used in determining benefits, year-one total remuneration shall be multiplied by the ratio of year-three base salary, exclusive of all overtime and other remuneration, to year-one base salary, exclusive of all overtime and other remuneration, such product shall equal "year-one adjusted salary"; year-two total remuneration shall be multiplied by the ratio of year-three base salary, exclusive of all overtime and other remuneration, to year- two base salary, exclusive of all overtime and other remuneration, such product shall equal "year-two adjusted salary"; and the arithmetic average of year-one adjusted salary and year-two adjusted salary shall equal the average adjusted salary."

CAUSE:

Fire Pension Board officials failed to properly calculate retiree pension amounts.

EFFECT:

The Fire Pension Board is potentially violating the provisions of West Virginia State Code §8-22-16(d). Retirees may receive benefits in excess of amounts authorized by statute. Incorrect benefit calculations could significantly increase unfunded actuarial accrued liability for the plan which, in turn, could increase Employer and State funding requirements.

REPEAT FINDING: No

RECOMMENDATION:

The Fire Pension Board should utilize the WV Benefit Calculator and other tools provided by the West Virginia Municipal Pension Oversight Board to administer benefits for retirees. Calculations should be independently reviewed by City payroll officials to ensure accuracy and compliance with statutory requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

See Corrective Action Plan

**MUNICIPALITY OF HUNTINGTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016**

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2015-001	Segregation of Duties	Not Resolved
2015-002	Controls over Financial Statement Preparation	Resolved
2015-003	Landfill Closure and Postclosure Care Costs Liability	Resolved
2015-004	Required Contribution - Firemen's Pension Fund	Not Resolved
2015-005	Required Contribution - Policemen's Pension Fund	Not Resolved
2015-006	Expenditure in Excess of Amounts Allocated in Levy Estimate - General Fund	Resolved

OFFICE OF DIRECTOR OF FINANCE
 City Hall, P. O. Box 1659
 Huntington, WV 25717-1659
 Phone: (304) 696-5520



**APPENDIX A
 CORRECTIVE ACTION PLAN**

Financial Statement Findings:

<u>Finding #</u>	<u>Title of Finding</u>	<u>Contact Person</u>	<u>Anticipated Completion Date</u>
2016-001	Segregation of Duties	Pam Chandler	06/01/2016

Corrective Action planned to be taken: As of June 2016, upon clarification of the finding, all adjustments to customers accounts must be approved and posted by the Finance Director.

2016-002	Required Contribution - Firemen's Pension	Pam Chandler	FY2017
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Corrective Action planned to be taken: The City's revenue is cyclical and therefore pension payments are made accordingly. According to a recent Herald Dispatch article, Blair Taylor, executive director of the WV Pension Oversight Board stated that the State code already has a built-in buffer that allows municipalities to take until February of the following fiscal year to pay their yearly contributions and still receive matching funds from the State in their entirety. We are simply using this "buffer" as needed due to cash flow. All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State match. The City has always received the match from the State. FY2016 contributions were all made by November 2016, - three months before the stated State deadline of February 28, 2017. By March 17, 2017, four full payments for FY2017, had already been contributed - well ahead of the payment schedule of previous years, which were all made within the due date given by the State Pension Board.

2016-003	Required Contribution - Policemen's Pension	Pam Chandler	FY2017
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Corrective Action planned to be taken: The City's revenue is cyclical and therefore pension payments are made accordingly. According to a recent Herald Dispatch article, Blair Taylor, executive director of the WV Pension Oversight Board stated that the State code already has a built-in buffer that allows municipalities to take until February of the following fiscal year to pay their yearly contributions and still receive matching funds from the State in their entirety. We are simply using this "buffer" as needed due to cash flow. All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State match. The City has always received the match from the State. FY2016 contributions were all made by November 2016, - three months before the stated State deadline of February 28, 2017. By March 17, 2017, four full payments for FY2017, had already been contributed - well ahead of the payment schedule of previous years, which were all made within the due date given by the State Pension Board.

2016-04	Fire Pension-Retiree Benefit Calc	Scott Mellert, Pension Secretary	FY2017
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This finding is directed to the actions of the Fire Pension Board, which is an independent entity with its own tax ID number. The Finding was forwarded to Scott Mellert, the paid Pension Secretary. (Attached is his response to the finding).

FEDERAL AWARDS FINDINGS:

NONE

March 2, 2017

Pam Chandler, Director
Finance Division
City of Huntington
800 Fifth Avenue
Huntington, WV 25701

Re: Huntington Firemen's Pension and Relief Fund

Dear Ms. Chandler:

The following is a description of the corrective action plan implemented by the City of Huntington Firemen's Pension and Relief Fund to assure proper calculation of retirement and other benefits payable by the Fund:

In the spring of 2016, the City administration brought to the attention of the Secretary of the Firemen's Pension and Relief Fund an issue concerning the manner in which retirement pensions had been calculated subsequent to certain amendments to the West Virginia Code which modified the manner in which such benefits were to be calculated. A review by the Mayor and City Attorney had suggested that the methodology employed by Board of the Pension and Relief Fund appeared to be inconsistent with the statutory amendments. After consulting with legal counsel and Mr. Blair Taylor, the Executive Director of the Municipal Pensions Oversight Board ("MPOB"), the Board of Trustees of the Huntington Firemen's Pension and Relief Fund adopted a resolution on July 8, 2016 confirming its intention to compute all benefits for persons retiring after July 1 utilizing a calculator provided by the MPOB. The Board also adopted, subject to the approval of the MPOB, a comprehensive set of Rules, Regulations and Operating Procedures based on an example provided by the MPOB to assure that benefits are calculated correctly and that active firemen, retirees, spouses and dependants fully understand the benefits to which they are entitled. In addition, all members of the Board of Trustees of the Huntington Firemen's Pension and Relief Fund have committed to participate regularly in training sessions conducted by the MPOB. The Rules, Regulations and Operating Procedures adopted by the Huntington Board require attendance of the Trustees at such sessions. The Rules, Regulations and Operating Procedures also set forth in detail the manner in which overpayments and under payments, should they occur, will be dealt with prospectively.

The Board also carefully considered whether it would be appropriate to attempt to recover any prior overpayments which were mistakenly made to retirees or to adjust future payments to retirees whose benefits may have been mistakenly calculated. The Board concluded

that it would be both impractical and inequitable either to seek recovery of overpayments made prior to July 1, 2016 or to adjust future payments to retirees who retired prior to that date. Among the factors considered by the Board in reaching these determinations were the hardship which such action would impose on retirees, the legal uncertainty surrounding the likely success of such efforts and the fact that the City of Huntington has contributed to the fund each year since January of 2010 the amount actuarially determined to be necessary to assure the fund's solvency and fiscal integrity over a 40 year period, taking into account benefits actually being paid to existing retirees and other pension recipients.

It is the position of the Board that the corrective action plan which has been implemented adequately and appropriately addresses the calculation of retirement benefits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Scot Mellert', with a stylized flourish at the end.

Scot Mellert, Secretary
Huntington Firemen's Pension and Relief Fund

OFFICE OF DIRECTOR OF FINANCE
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Year Financial Statement Findings:

<u>Finding #</u>	<u>First Fiscal Year Finding Was Cited</u>	<u>Title of Finding</u>	<u>Status of Finding</u>
2015-001	2013	Segregation of Duties Corrective Action planned to be taken: As of June 2016, upon clarification of the finding, all adjustments to customers accounts must be approved and posted by the Finance Director.	Not Corrected
2015-002	2013	Controls Over Financial Statement Preparation If necessary, corrective action to be taken: N/A	Corrected
2015-003	2015	Landfill Closure and Postclosure Care Costs Liability If necessary, corrective action to be taken: N/A	Corrected
2015-004	2015	Required Contribution-Firemen's Pension Fund Corrective Action planned to be taken: All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State Match. The City has always received the matching funds from the state. The final contribution for FY2015, was made in February 2016, which is deadline for contributions to be made and the City received 100% of the State Match.	Not Corrected
2015-005	2015	Required Contribution-Policemen's Pension Fund Corrective Action planned to be taken: All contributions of the City have always been made within the allotted time that is given by the State Pension Oversight Board to receive the State Match. The City has always received the matching funds from the state. The final contribution for FY2015, was made in February 2016, which is deadline for contributions to be made and the City received 100% of the State Match.	Not Corrected
2015-006	2013	Expenditures in Excess of Amounts Allocated in the Levy Estimate-General Fund If necessary, corrective action to be taken: N/A	Corrected

Prior Year Federal Award Findings:

<u>Finding #</u>	<u>First Fiscal Year Finding Was Cited</u>	<u>Title of Finding</u>	<u>Status of Finding</u>
NONE			