

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**District of Columbia**

**TEACHERS' AND POLICE OFFICERS' AND  
FIREFIGHTERS' RETIREMENT FUND**

**Report on Internal Control and Compliance  
Over Financial Reporting  
For the Year Ended  
September 30, 2012**



**CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL**

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



March 21, 2013

The Honorable Vincent C. Gray  
Mayor  
District of Columbia  
Mayor's Correspondence Unit, Suite 316  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building, Suite 504  
1350 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Dear Mayor Gray and Chairman Mendelson:

In connection with the audit of the District of Columbia's (the District) general purpose financial statements for fiscal year (FY) 2012, CliftonLarsonAllen LLP (CLA) submitted the enclosed report on internal control and on compliance and other matters for the District of Columbia Teachers', Police Officers' and Firefighters' Retirement Funds (the Total Fund), OIG Report No. 13-1-13MA(b). This report sets forth CLA's comments and recommendations to improve internal control and other operating efficiencies.

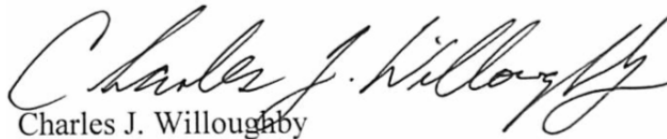
This report identifies one significant deficiency. A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is important enough to merit attention by those charged with governance. The significant deficiency identified in the report is valuation of census data. Additionally, tests performed of compliance disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

While the Office of the Inspector General will continue to assess the District's implementation of recommendations, it is the responsibility of District government management to ensure that agencies correct the deficiencies noted in audit reports. This Office will work with managers, as appropriate, to help them monitor the implementation of recommendations.

Mayor Gray and Chairman Mendelson  
Report on Internal Control and on Compliance and Other  
Matters for the D.C. Teachers', Police Officers' and  
Firefighters' Retirement Funds for FY 2012  
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If you have questions or need additional information, please contact Ronald W. King,  
Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in cursive script that reads "Charles J. Willoughby". The signature is written in black ink and is positioned above the printed name and title.

Charles J. Willoughby  
Inspector General

CJW/ws

Enclosure

cc: See Distribution List

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The Honorable Barbara Mikulski, Chairwoman, Senate Committee on Appropriations, Attention: Ericka Rojas (via email)

Mayor Gray and Chairman Mendelson  
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The Honorable Richard Shelby, Ranking Member, Senate Committee on Appropriations,  
Attention: Dana Wade (via email)

The Honorable Frank Lautenberg, Chairman, Senate Subcommittee on Financial Services and  
General Government, Attention: Marianne Upton (via email)

The Honorable Mike Johanns, Ranking Member, Senate Subcommittee on Financial Services  
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Mr. Paul Geraty, CPA, Public Sector Audit Division KPMG LLP (1 copy)



## CliftonLarsonAllen

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
District of Columbia Teachers' Retirement Fund and the  
District of Columbia Police Officers and Firefighters' Retirement Fund

We have audited the financial statements of the District of Columbia Teachers' Retirement Fund and the District of Columbia Police Officers and Firefighters' Retirement Fund (the Total Fund) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Total Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Total Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Total Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Validation of Census Data**

Census data for the Total Fund is accumulated in multiple locations which makes it difficult to control and increases the likelihood of errors in the data. To address this risk, management has developed limited reviews of the census data before it is provided to the actuary for calculation of the actuarial liability and the annual required contributions. In addition, management is currently in the process of procuring and implementing a pension information system that will provide additional control over the census data. Until the pension information system is fully functional, we recommend management expand the reviews currently performed to include validation of data submitted by the District of Columbia and Federal agencies prior to submission to the actuary to ensure it is complete and accurate and to mitigate the likelihood of errors in calculating the actuarial liability and the annual required contributions. In addition, we recommend management work with all appropriate District and Federal agencies to assure that all census and retirement related data is made accessible so that these expanded reviews can be performed.

### ***Management's Response:***

The pension information system that management is implementing will track all census data. As part of the acquisition of this system, the data for active, inactive and retired members will be collected, certified and uploaded to the new system. Prior to implementation of the pension information system, management plans to work with the District of Columbia and Federal agencies to establish review processes intended to provide more confidence in the completeness and accuracy of the census data that they provide to the actuary.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Total Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management in a separate letter dated January 16, 2013.

We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Baltimore, Maryland  
January 16, 2013