

AUDIT REPORT

Other Post-Employment Benefits Fund
Management Recommendations
Fiscal Year 2024
OIG No. 24-1-13MA(a)

January 31, 2025



DANIEL W. LUCAS
INSPECTOR GENERAL



OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.






DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas
Inspector General 

Date: January 31, 2025

Subject: **Other Post-Employment Benefits Fund Management
Recommendations**
OIG No. 24-1-13MA(a)

This memorandum transmits the final report *Other Post-Employment Benefits Fund Management Recommendations* for fiscal year 2024. McConnell Jones, LLP (MJ) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2024.

On January 17, 2025, MJ issued one recommendation intended to improve the effectiveness of internal controls over Other Post-Employment Benefits Fund (Fund) operations and programs. When addressed, this improvement can increase assurances that the Fund runs its operations efficiently and effectively, reports reliable operational information, and complies with applicable laws and regulations.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

**DISTRICT OF COLUMBIA
OTHER POST-EMPLOYMENT BENEFITS FUND
(A Fiduciary Fund of the Government of the
District of Columbia)**

MANAGEMENT RECOMMENDATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024



McConnell Jones

January 17, 2025

To the Mayor, Members of the Council of the District of Columbia,
and the Inspector General of the District of Columbia

In planning and performing our audit of the financial statements of the Government of the District of Columbia Other Post-Employment Benefits Fund (the Fund), a fiduciary fund of the Government of the District of Columbia (the District), as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Fund's internal control over financial reporting (internal control) 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain matters involving the internal control and other operational matters, which are summarized below.

Our findings and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We believe that the implementation of these recommendations will provide the Fund with a stronger system of internal control while also making its operations more efficient. The successor auditor will review the implementation status of our findings and recommendations during the next audit engagement.

This letter does not affect our independent auditor's report, or our report issued under *Government Auditing Standards*, dated January 17, 2025, on the financial statements of the Fund.

This communication is intended solely for the information and use of management, Advisory Board, others within the organization, the Mayor and members of the Council of the District of Columbia, and the Inspector General of the District of Columbia, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

McConnell Jones LLP

Washington, D.C.
January 17, 2025

5101 Wisconsin Ave., NW
Suite 210
Washington, DC 20016
Phone: 202.207.3570

WWW.MCCONNELLJONES.COM

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I. CURRENT YEAR FINDINGS

GOVERNMENT OF THE DISTRICT OF COLUMBIA OTHER POST-EMPLOYMENT BENEFITS FUND (OPEB)

Finding: OPEB 2024-001 – Incorrect Premiums for Health and Life Insurance Benefits Were Charged to Retirees

During testing of retiree premium payments of the District Other Post-employment Benefit (OPEB) Plan, it was found that the District had identified circumstances such that retirees (e.g. 401a and Police/ Fire/ Teachers retirement plan participants) were paying inaccurate premiums for health and life insurance benefits. The District of Columbia Department of Human Resources (DCHR) Management provided an analysis of the over/under payments of retirees, quantified the errors, and developed a plan to correct the errors going-forward. We obtained support for the analysis, reviewed the potential impact on internal controls, and assessed the effect on the presentation of the OPEB Trust Fund's financial statements.

The government of the District of Columbia established the District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund on October 1, 1999, under the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (D.C. Official Code 1-621.09). Health and life insurance benefits for retirees are known as "Other Post-Employment Benefits" (OPEB), also referred to as the OPEB Plan. The OPEB Plan includes a trust fund that receives the District's annual contributions toward health and life insurance benefits for District employees who have retired, as well as premium payments from retirees. These contributions and premiums, along with investment earnings, are used to pay future benefits on behalf of qualified participants. The OPEB Plan is jointly administered by the District's Office of Finance and Treasury, within the Office of the Chief Financial Officer (OCFO), and the District of Columbia Department of Human Resources.

In discussing the conditions noted with District officials, it was found that incorrect data was used in calculating OPEB premiums for District retirees.

As a result of the conditions noted, retirees were found to be paying incorrect OPEB premium amounts.

Recommendation:

The District needs to implement effective internal controls to ensure that retirees' OPEB premiums are calculated correctly.

Management Response:

DCHR concurs with the description of the findings and recommendations. DCHR is continuing to work diligently with our partners to ensure retiree benefits payments are calculated and collected correctly. Our partners include: the DC Retirement Board (DCRB), the District's Office of Finance and Treasury, within the Office of the Chief Financial Officer (OCFO), and the U.S. Federal



Treasury. Jointly with our partners, we will address the findings with the remediation steps shown below:

- **Implement Effective Internal Controls:** In FY2024, DCHR, DCRB, and OFT began the process of improving internal controls. These efforts included: (a) developing a comprehensive 401(a) database with internal calculation logic, (b) revising all enrollment forms and calculators to reflect updated calculations and premiums, (c) revising life insurance contract amendments to reduce complexity and improve accuracy of the life insurance premiums, and (d) improving coordination and collaboration with our partners.

In FY2025, DC intends to improve internal controls related to the following:

- **Preventive Controls:** Embedding the correct calculation logic in the DCRB STAR system (owned by US Federal Treasury) and DCHR's revised 401(a) database. This ensures newly added retirees will assume the same calculation logic for premiums.
- **Detective Controls and Auditing:** Conducting an annual internal audit of premiums and database critical fields to ensure accuracy. This will be conducted at the beginning of each calendar year after regular Open Enrollments.
- **Corrective controls:** Completing corrective actions to existing inaccurate premium payments and issuing any appropriate refunds due to retirees or their beneficiaries.
- **Target Deadline:** December 31, 2025.



**McConnell
Jones**

II. PRIOR YEAR FINDINGS

NONE

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.

 (202) 724-TIPS (8477) and (800) 521-1639

 <https://oig.dc.gov>

 oig@dc.gov

