



*City of Atlanta - Pension Plans  
Presentation of Audit Results  
June 30, 2023*



**Pension Investment Board**



*Mauldin & Jenkins, LLC  
Doug Moses, Partner  
Alison Wester, Partner*

## Agenda

- Engagement Team & Firm Information
- Defined Benefit Plans
  - Independent Auditor’s Reports
  - Financial Statement Summary
  - Audit Procedures
  - Compliance Report and Material Weaknesses
  - Required Communications
- Defined Contribution Plan
  - Financial Summary & Audit Procedures
- Other Matters for Communication to Management and Those Charged with Governance
- Closing





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Engagement Team Leaders

Doug Moses, Engagement Partner

Alison Wester, Engagement Partner - Pensions | Wade Sansbury, Quality Review Partner - Pensions

Will Derzis, Manager | Jennifer Trotter, Manager - Pensions



# Defined Benefit Plans



## Independent Auditor’s Report – Defined Benefit Plans

- **Summary of Report**

- **Opinion:** We have issued an unmodified audit report (i.e., “clean opinion”). The respective financial statements are considered to present fairly the financial position and results of operations as of and for the years then ended.
- **Basis for Opinion:** 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.
- **Management’s Responsibility:** Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. These include responsibilities for the design, implementation and maintenance of relevant internal controls to prevent material misstatement whether due to error or fraud. Management is also required to evaluate going concern considerations.



## Independent Auditor’s Report – Defined Benefit Plans (Continued)

- **Summary of Report (Continued)**

- **Auditor’s Responsibility:** Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance. The opinion details several of our audit responsibilities under *Government Auditing Standards* as follows:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan’s ability to continue as a going concern for a reasonable period of time.
- Communicate with those charged with governance.



## Financial Statement Summary – Defined Benefit Plans

Statements of Fiduciary Net Position (dollars in thousands)						
June 30,	General		Police Officers'		Firefighters'	
	2023	2022	2023	2022	2023	2022
Total investments	1,706,568	1,569,258	1,331,423	1,229,057	793,800	733,272
Total assets	1,738,425	1,655,745	1,370,835	1,316,157	813,055	810,696
Total liabilities	9,027	21,513	4,611	40,889	2,683	40,468
Net position	1,729,398	1,634,232	1,366,224	1,275,268	810,372	770,228

Statements of Changes in Fiduciary Net Position (dollars in thousands)						
For the year ended June 30,	General		Police Officers'		Firefighters'	
	2023	2022	2023	2022	2023	2022
Contributions	131,889	132,421	54,618	54,469	32,949	33,957
Investment income (expense)	153,738	(221,486)	121,374	(200,785)	66,474	(134,870)
Benefit payments	189,008	184,176	84,354	79,097	58,563	56,593
Increase (decrease) in net position	95,166	(275,467)	90,956	(226,356)	40,144	(158,501)

- Impacts of unrealized gains and losses to assets; income
- Liability decreases related to investment transactions





## Audit Procedures – Defined Benefit Plans

- **Summary of Significant Audit Procedures**
  - Confirmed cash and investments with fund managers.
  - Tested fair values of investments with third party or traced to relevant exchange.
  - Traced contributions received to bank statements and agreed sponsor contributions with actuarially required amounts.
  - Tested Census Data, Employee Contributions, Benefit Distributions
    - Sample sizes were either 60 or based upon a percent of a relevant population.

*Audit procedures in certain areas (benefits and census data) were enhanced to respond to significant risks communicated in the engagement letters.*





## Compliance Report and Material Weaknesses – Defined Benefit Plans

- **Compliance Report**

- We issued a report on our tests of internal controls and compliance. The report is not intended to provide an opinion on internal controls and compliance with applicable rules and regulations.
- This report and the procedures performed are required by *Government Auditing Standards*.
- Continuation of Material Weaknesses previously cited and additional details provided specific to each plan within the separate reports.
  - 2023-001 – Census Data
    - Support for contribution percentage to include/exclude additional 1% for beneficiaries.
    - Contribution withholding.
  - 2023-002 – Benefit Payments
    - Inactive participants due refunds.
    - Plan code or other information deficiencies or errors.
  - Error rates were noted to be reduced from prior year in most cases.



## Required Communications – Defined Benefit Plans

- **Qualitative Aspects of Accounting Practice**

- Management is responsible for the selection and use of appropriate accounting policies.
- The significant accounting policies are described in Note 2 of the financial statements.
- There were no new standards implemented by the Plans during the current year.
- The most sensitive estimates affecting the financial statements are related to the fair value of investments and the actuarial calculations of employer contributions.
- The most sensitive disclosures for users of the financials statements related to the disclosures of pension liabilities in Note 7.
- The policies used are in accordance with generally accepted accounting principles.
- Financial statement disclosures considered neutral, consistent and clear.
- There were no corrected or uncorrected misstatements for Police and General. There were two passed adjustments for the Fire Plan totaling \$1,368,000 that are further described in the “Other Matters for Communication” Section.



## Required Communications – Defined Benefit Plans (Continued)

- **Relationship with Management**
  - We received full cooperation from management and staff.
  - There were no disagreements with management on accounting issues or financial reporting matters.
  - There were no difficulties encountered in performing the audit.
  
- **Management Representation**
  - We requested, and received, written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us.
  
- **Consultation with Other Accountants**
  - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
  
- **Significant Issues Discussed with Management**
  - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.



## Required Communications – Defined Benefit Plans (Continued)

- **Other Audit Findings or Issues**

- We discussed a variety of matters with management prior to our retention as auditors and during our planning meeting in June 2023. These discussions were in the normal course of our professional relationship and our responses were not a condition of our retention.

- **Other Matters**

- We applied certain limited procedures to the required supplementary information that is included in the basic financial statements.

- **Information in Documents Containing Audited Financial Statements**

- Our responsibility for other information in documents containing the financial statements and our report thereon does not extend beyond the information identified in our report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with a printer's proof for our review and approval before printing. You must also provide us with a copy of the final reproduced material for our approval before it is distributed.

- **Auditor Independence**

- In accordance with AICPA professional standards, we re-affirm our independence.

- **Other Matters for Communication to Management and Those Charged with Governance**

- Slides in later presentation section offer construction suggestions to recommend improvements to financial reporting or highlight accounting matters that could present challenges in financial reporting in future periods.



# Defined Contribution Plan



## Financial Statement Summary – Defined Contribution Plan

Statements of Fiduciary Net Position (dollars in thousands)		
June 30,	Defined Contribution	
	2023	2022
Total investments	255,098	218,649
Total assets	271,327	233,904
Total liabilities	177	142
Net position	271,150	233,762

Statements of Changes in Fiduciary Net Position (dollars in thousands)		
For the year ended June 30,	Defined Contribution	
	2023	2022
Contributions	33,267	29,228
Investment income (expense)	22,375	(25,179)
Benefit payments	18,217	20,735
Increase (decrease) in net position	37,388	(16,731)

- No separate reporting included in ACFR
- Impacts of unrealized gains and losses to assets; income



## Audit Procedures – Defined Contribution Plan

- **Summary of Significant Audit Procedures**

- Plan is administered by Empower
  - Audit procedures included focus on “complementary user entity controls” identified in Empower SOC reports.
- Obtained detailed Plan Activity information directly from Empower
  - Financial Activity of the Plan
  - Financial Activity by Participant
- Tested fair values of investments with third party or traced to relevant exchange
- Reviewed a sample of new hires (73 total tested)
  - Tested census data, timing of plan entry, employee contributions, and benefit distributions

*Empower completed a data conversion subsequent to June 30, 2023.*





# Other Matters For Communication



## Other Matters for Communication to Management and Those Charged with Governance

We noted other matters which we wish to communicate to you in an effort to recommend improvements to financial reporting or highlight accounting matters that could present challenges in financial reporting in future periods.

### **Firefighters' Pension Plan**

As part of the period end closing procedures, management recorded a pending investment withdrawal of approximately \$731,000 as an unrealized loss. A similar transaction for the other pension funds is reflected as a short-term investment as of June 30, 2023.

With regard to annually required employer contributions, the City has remitted to the Plan using the estimated dollar amount and not the percentage of payroll amount included in the actuarial report. When comparing the actual amounts contributed to amounts that might have been contributed if calculated using the percentage of payroll for the last two years, there is an estimated additional contribution due of \$667,000. However, during the audit, the actuary provided a letter indicating the funding requirement was met in accordance with actuarial standards. Management should ensure the calculation and remittance of required employer contributions is in compliance with the Atlanta City Charter, Pensions Code, Part 1, Subpart B, Chapter 6 and the Pension Board's funding intentions.



## Other Matters for Communication to Management and Those Charged with Governance (Continued)

### **General Employees' Pension Plan**

Contributions receivable from the City totaled approximately \$4,200,000 as of June 30, 2023. An error in the year-end close estimation process caused a delay in the remittance of approximately \$1,000,000 from the City to the Plan. Management intends to remit the funds to the Plan during December 2023.

### **Police Officers' Pension Plan**

As of June 30, 2023, the Plan's operating cash account had a negative balance of approximately \$889,000. Management indicated this was caused by a timing delay of a cash raise deposit. A transfer from the reserve account totaling \$1,500,000 on July 3, 2023 funded the overdrawn position.

Contributions receivable from the City totaled approximately \$3,400,000 as of June 30, 2023. An error in the year-end close estimation process caused a delay in the remittance of approximately \$1,250,000 from the City to the Plan. Management intends to remit the funds to the Plan during December 2023.

With regard to annually required employer contributions, the City has remitted to the Plan using the estimated dollar amount and not the percentage of payroll amount included in the actuarial report. During the audit, the actuary provided a letter indicating the funding requirement was met in accordance with actuarial standards. Management should ensure the calculation and remittance of required employer contributions is in compliance with the Atlanta City Charter, Pensions Code, Part 1, Subpart B, Chapter 6 and the Pension Board's funding intentions.



## Other Matters for Communication to Management and Those Charged with Governance (Continued)

### **Defined Contribution Plan**

Forfeited funds totaling approximately \$14.5 million have been aggregated by Empower in "Mr. Forfeiture" accounts and do not appear to have been used in accordance with the Plan provision. The Plan Summary calls for forfeited funds to be used to offset required plan contributions. The \$14.5 million is invested in the stable value fund and recorded within investments for financial reporting purposes. We recommend that management review all Plan data annually to ensure proper application of Plan funds.

In the testing of participant information, the following exceptions were noted (a) contributions withheld and remitted for two participants were doubled on one paycheck, (b) pensionable earnings incorrectly included wages earned as a less than full time employee for two participants, and (c) one employee was duplicated in the Plan's Empower database. It is noted that Empower has recently completed a conversion. Management should ensure the City's internal controls are aligned with those communicated as "complementary user entity controls" by Empower.



# Closing

## Join us for FREE Continuing Professional Education!

Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations or online resulting in greater networking and knowledge sharing among our governmental clients. Examples of subjects addressed in the past quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB Projects and Updates (ongoing and several sessions)
- Human Capital Management
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables and the Revenue Cycle
- IRS Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances and Disclosures
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST)
- Accounting, Reporting and Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

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## *Closing*

We have discussed the information within this presentation including our findings and suggestions with City personnel throughout the course of the engagement and welcome any questions and comments.

*We appreciate the professionalism and responsiveness of the City teams, SBA and others who provided information during the audit.*







Thank you for the opportunity to serve the  
City of Atlanta!



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