



CITY OF RICHMOND

Richmond Retirement System 1099-R Process

Office of the City Auditor (OCA) *Audit Report*

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Executive Summary

The Office of the City Auditor (OCA) conducted this audit as part of the fiscal year (FY) 2024 audit plan approved by the Audit Committee. The objective of this audit was to evaluate the timeliness and accuracy of year-end 1099 processing through the Richmond Retirement System (RRS).

Background

Why did we audit this process?

The Internal Revenue Service requires the reporting of distributions from Government Retirement Plans. As a part of this requirement, the RRS issues 1099-R forms to retirees and beneficiaries, reflecting the prior year's distribution of retirement benefit payments. In calendar year 2022, bonus payments were issued under Ordinance No. 2022-055. Management noted that this was the first bonus issued for retirees. They were misclassified as non-taxable in the RRS payroll system, impacting the corresponding 1099-R forms for affected retirees. This error was identified after the forms were issued, necessitating corrections, reissuance, and notification to the affected retirees. Due to this error, the OCA was asked to perform this audit.

Overview

In 1945, RRS was established by the Richmond City Council and later reestablished by acts of the Virginia General Assembly. RRS administers defined benefit and defined contribution 401(a) plans for approximately 10,000 members, retirees, and beneficiaries under provisions outlined in the Richmond City Charter (§5B.01) and Chapter 22 of the City of Richmond Code. The City of Richmond and its component unit, the Richmond Behavioral Health Authority, participate in RRS on behalf of their employees.

In 2023, the City of Richmond began transitioning to the Virginia Retirement System (VRS). Employees hired after December 31, 2023, are no longer eligible for RRS, and most current members at that time had the option to transfer their benefits to VRS through December 31, 2024. As a result, RRS membership will decline annually.

Overall Conclusion

During calendar year 2023, the RRS updated its process for uploading supplemental payments to ensure they were input as taxable, correcting the issue from the prior year. In addition, RRS's processes for calculating retiree benefits, including original benefit selections, subsequent adjustments, and supplemental bonuses, were found to be accurate for the retirees reviewed by the OCA. The 1099-R forms reviewed reflected payments made during the year and were consistent with the original benefit selections. Although the OCA did not identify deficiencies in these processes, due to their complexity and the volume of retirees, other issues may exist in this process that were not detected during the audit.



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Conversely, the OCA found that the Richmond Retirement System (RRS) failed to prevent, detect, and recover improper payments to deceased retirees. As a result, \$554,661.50 in overpayments were made over 9 years, with \$415,660.76 unrecovered. The OCA identified deficiencies in the management of deceased retirees, including incomplete death audit reports, failure to follow collection procedures, inadequate management oversight, outdated policies, and delays in notifying the Board of Trustees of overpayment issues.

RRS management treated these issues seriously and has reported taking corrective actions to address them, including transitioning to an improved death audit process, updating collection procedures, enhancing tracking and oversight, and informing the Board of Trustees of the issue. Additionally, the agency has implemented weekly reviews and restructured its collection approval process to ensure better financial controls. However, these actions alone do not guarantee long-term effectiveness without ongoing monitoring and enforcement.

To minimize future improper payments, RRS must ensure continued compliance with updated policies, strengthen oversight mechanisms, and conduct regular internal reviews. Without sustained accountability, the risk of similar issues reoccurring remains, undermining public trust and financial integrity within the retirement system.

Given the volume and age of improper payments, as well as the control weaknesses described in this report, there is an increased risk that fraud occurred. Therefore, the OCA recommends that RRS review all accounts with outstanding balances, including those identified in this report and others, to determine whether any should be referred to the Office of the Inspector General (OIG). Additionally, the OCA has referred this report to the OIG for any further actions or monitoring they deem necessary. Finally, the OCA has made its staff available to RRS to support any additional analysis or review of this issue or any other issues identified.

Summary of Opportunities for Improvements

Finding 1

RRS improperly paid \$554,661.50 in benefits to 44 deceased retirees, with \$415,660.76 unrecovered due to ineffective controls in preventing, detecting, and recovering payments to ineligible recipients.

The OCA identified several control weaknesses in the process that allowed the improper payments to occur, including:

- Incomplete death reports and staff review failed to identify some deceased retirees and delayed deactivations.
- Failure to follow established overpayment collection procedures, resulting in unrecovered balances.



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- Lack of oversight, with management unaware of some overpayments and delayed notification to the Board of Trustees of overpayment issues.
- Outdated policies and procedures, contributing to inconsistent tracking and recovery efforts.

One retiree continued to receive payments for over seven years prior to RRS identifying them as deceased in June 2022, resulting in a \$247,213.98 overpayment. RRS transitioned to an updated death audit report in February 2024.

Summary of Recommendations

Throughout the audit, RRS Management informed the OCA that they have taken substantial steps towards addressing the issues, including:

- Updating the SOP.
- Implementing a new tracking process to better monitor outstanding overpayments.
- Issuing new letters to beneficiaries and estates related to outstanding overpayments.
- Holding weekly meetings to review overpayments and collection efforts.
- Revising the overpayment collection process to establish a structured approval workflow.
- Implementing a new system that allows them to research next of kin to assist with collection efforts.
- Notifying the Board of Trustees about the overpayment issues.

The OCA issued nine recommendations and management concurred with all recommendations. A detailed listing of recommendations and management responses is included in **Appendix C**. We will review the implementation status of the recommendations and the reported steps taken by RRS Management during our Quarterly Open Recommendation Follow-Up Review.



Background and Internal Controls

Background

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Organizational Structure

RRS is governed by a seven-member Board of Trustees, with each member serving two three-year terms. The Richmond City Council appoints five members, at least two of whom must be employees from the city's classified service. The Mayor appoints the remaining two members. The Board of Trustees operates in accordance with Richmond City Charter (§5B.01) and Chapter 22 of the City of Richmond Code, ensuring the proper administration of the system and fulfilling its responsibilities.

For fiscal year 2024, RRS was led by an Executive Director and was budgeted 12 positions. The Executive Director reports directly to the Board of Trustees and oversees retirement administration and investment management. RRS consists of a Fiscal Unit and a Benefits Unit, which are supervised by a Senior Deputy Director that reports to the Executive Director and is responsible for the day-to-day oversight.



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Fiscal Unit

The Fiscal Unit consists of three employees directly managed by the Chief Financial Officer (CFO). This unit handles all financial and fiscal operations within RRS, including the year-end processing of 1099-R forms for retirees.

The Fiscal Unit's responsibilities include, but are not limited to:

- Processing RRS payroll monthly,
- Adding new retirees to the system,
- Removing deceased retirees from the system,
- Managing employer and employee contributions, and
- Performing bank reconciliations.

Under the CFO's direction, the Fiscal Unit manages the RRS's 1099-R forms. RRS uses COR ERP, the City's financial system, to generate these forms for retirees and beneficiaries. It also accounts for payroll changes, such as overpayments and adjustments when retirees turn 65.

At the end of the year, RRS runs a report to verify the payroll records match the 1099-Rs. They test a sample of 1099-R forms to verify names, addresses, social security numbers (SSNs), tax details, and one-time or retroactive payments. After testing, the CFO reviews and approves the forms before they are printed and mailed by January 31. Some years, the Richmond City Council approves bonuses for retirees. When this happens, RRS creates a list of eligible retirees, marks the payments as taxable, and processes them through COR ERP.

Benefits Unit

The Benefits Unit consists of four employees and is responsible for determining retirement eligibility for City of Richmond employees. Its main duties include counseling retirees, collecting and keeping documentation, providing benefits guidance, and verifying employment and service history.

Any employee planning to retire must submit an *Estimate of Benefits* request at least six months before their expected retirement date. They can attend an optional counseling session and must complete a *Retirement Application* between 60 and 90 days before their retirement date. Once all required documents are received and approved, the retiree receives a confirmation letter. The Retirement Specialist informs the employee's departmental liaison about the upcoming retirement and requests salary, service, and leave records needed to calculate the final benefit. After management reviews the documents, a *Retirement Certificate* is prepared and sent to the Board of Trustees for final approval.



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Benefits

RRS offered two primary types of retirement benefits:

- **Defined Benefit Plans:** These plans guarantee a fixed income upon retirement, based on factors such as an employee's salary and years of service.
- **Defined Contribution Plans:** These plans are funded by contributions from both the employee and employer, which are invested over time. The final benefit amount depends on investment performance.

Retirees can choose from several benefit payment options, each with different terms based on their needs.

- **Basic Benefit:** Provides a monthly payment for life, with no survivor benefits after the retiree's death.
- **Smooth-Out Option:** Offers a higher monthly payment before age 65, then reduces after 65 to align with expected Social Security benefits.
- **Joint and Survivor Options:** Provide a reduced monthly benefit but continue payments to a designated beneficiary after the retiree's death. Available survivor benefit percentages include 25%, 50%, 75%, and 100%. These options can be adjusted under certain conditions before retirement.

In calendar year 2023, the Richmond Retirement System made payments to more than 4,400 retirees and beneficiaries.

Death Benefits

One of RRS's key responsibilities is ensuring that retirees and their surviving families receive the benefits they are entitled to. At the same time, RRS must promptly stop payments when a retiree passes away to prevent overpayments. If an overpayment occurs, the RRS Fiscal Unit is responsible for identifying and recovering the funds. This process helps maintain the system's financial integrity while ensuring benefits are properly distributed.

When RRS is notified of a retiree's death, a *Notification of Death Form* is completed to document any benefits payable, or amounts owed back to the system. This form includes the retiree's personal information, date of death, and any outstanding payments. It is then sent to HR Administrators and the RRS Fiscal Unit, where the information is recorded in a *Monthly Death Benefits Log*.

RRS then sends a *Death Benefit Letter* to the retiree's estate or family, requesting the necessary information to process any death benefits. Once the required information is received and verified, a follow-up letter outlines the next steps for the beneficiary to complete the claim.



Conclusion on Internal Controls

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Our assessment of internal controls found that during calendar year 2023, RRS updated its process for uploading supplemental payments to ensure they were input as taxable, correcting the issue from the prior year. In addition, RRS's processes for calculating retiree benefits, including original benefit selections, subsequent adjustments, and supplemental bonuses, were found to be accurate for the retirees reviewed by the OCA. The 1099-R forms reviewed reflected payments made during the year and were consistent with the original benefit selections. Although the OCA did not identify deficiencies in these processes, due to their complexity and the volume of retirees, other issues may exist in this process that were not detected during the audit.

Conversely, the OCA found that the Richmond Retirement System (RRS) failed to prevent, detect, and recover improper payments to deceased retirees. As a result, \$554,661.50 in overpayments were made, with \$415,660.76 unrecovered. The OCA identified deficiencies in the management of deceased retirees, including incomplete death audit reports, failure to follow collection procedures, inadequate management oversight, outdated policies, and delays in notifying the Board of Trustees of overpayment issues.

RRS management treated these issues seriously and has reported taking corrective actions to address them, including transitioning to an improved death audit process, updating collection procedures, enhancing tracking and oversight, and informing the Board of Trustees of the issue. Additionally, the agency has implemented weekly reviews and restructured its collection approval process to ensure better financial controls. However, these actions alone do not guarantee long-term effectiveness without ongoing monitoring and enforcement.

To minimize future improper payments, RRS must ensure continued compliance with updated policies, strengthen oversight mechanisms, and conduct regular internal reviews. Without sustained accountability, the risk of similar issues reoccurring remains, undermining public trust and financial integrity within the retirement system.

Given the volume and age of improper payments, as well as the control weaknesses described in this report, there is an increased risk that fraud occurred. Therefore, the OCA recommends that RRS review all accounts with outstanding balances, including those identified in this report and



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others, to determine whether any should be referred to the Office of the Inspector General (OIG). Additionally, the OCA has referred this report to the OIG for any further actions or monitoring they deem necessary. Finally, the OCA has made its staff available to RRS to support any additional analysis or review of this issue or any other issues identified.

Findings and Recommendations

Finding 1: The Richmond Retirement System made \$554,661.50 in benefit payments to 44 deceased members, with \$415,660.76 not recovered.

The Government Accountability Office (GAO) advises government agencies to design control activities that help achieve objectives and manage risks.¹ According to the GAO, control activities are “the policies, procedures, techniques, and mechanisms that enforce management’s directives to achieve the entity’s objectives and address related risks.”

A major risk in any retirement system, including RRS, is making payments to ineligible individuals, such as deceased members. To address this, staff independently review local obituaries to identify unreported deaths. RRS also conducts monthly death audits to detect and prevent benefit payments to deceased members to further mitigate this risk. Additionally, they receive death notifications from funeral homes and family members.

The OCA reviewed a sample² of 45 members marked as deceased in RRS’s system and found \$554,661.50 in overpayments to 44 of the deceased retirees, with \$415,660.76 still outstanding at the time of the audit’s conclusion.³ The OCA noted more overpayments were present based on RRS *Monthly Death Benefits Logs*. These overpayments occurred because RRS did not have an adequate process to prevent, detect, or recover payments made to deceased members. Specifically, we noted the following weaknesses:

- RRS's death reports and staff review failed to identify some deceased retirees, leading to delays in detection and deactivation of deceased members.
- RRS did not take appropriate action to recover overpayments once deceased members were identified.
- There was inadequate oversight of the identification and collection of overpayments.

¹ GAO-14-704G, “Standards for Internal Control in Federal Government,” <https://www.gao.gov/assets/gao-14-704g.pdf>, pages 51

² In preliminary analysis of calendar year 2023, the OCA identified retirees that were paid in the months following their death before RRS being notified. Based on this analysis, the OCA then reviewed payroll records to identify other deceased retirees paid after their death per the system in the current and subsequent years.

³ The OCA noted that the financial system showed \$4,806.12 of additional reversals that may have been recovered, however we did not receive support for these transactions. Also, some payments may have been made for which the OCA did not receive support.



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- Overpayments were not reported to the Board of Trustees timely.
- Standard Operating Procedures (SOPs) governing the overpayment collection process were outdated.

1A. The Richmond Retirement System did not identify deceased retirees in a timely manner.

As previously stated, RRS reviews a monthly death audit report provided by a vendor to identify any deceased retirees not reported by other means. Specifically, RRS sends a listing of active retirees with pertinent identifying information about each to the vendor. The vendor then runs that information through their databases to identify potential matches to deceased individuals. The vendor returns a “death audit” file to RRS noting all potential matches. RRS Fiscal Unit staff is generally responsible for reviewing the results of the death audit, deactivating the retiree in the system, calculating funds due back to RRS, and initiating recoupment efforts.

In our review of 45 members marked as deceased in RRS’s system, the OCA found that 44 retirees received overpayments of \$554,661.50 after their date of death, ranging from 10 days to 2,649 days (over 7 years). Of these, 32 received payments at least 60 days after their date of death.⁴

When discussing these issues with RRS management, the OCA was informed that in June 2022, they discovered a retiree who continued to receive payments despite passing away in February 2015, resulting in a gross overpayment of \$247,213.98. After identifying the issue, RRS management contacted the vendor to determine why the retiree had not been flagged in the monthly death audit reports. As a result, RRS transitioned to an updated report, which took effect in February 2024. The first new report identified nine deceased retirees who had passed away between January 2019 and October 2023, with total gross overpayments of \$110,037.89.

RRS management explained that it took from June 2022 to February 2024 to implement the new death audit report because of the time required to identify the issue, test the new process, and implement it. They further stated that after transitioning to the new reports, they believed the issue of improper payments to deceased retirees was limited to the nine retirees identified in the new process, the one originally identified in 2022, and one other overpaid retiree. RRS management informed the OCA that they were unaware of any additional uncollected overpayments. However, the OCA’s sample included 17 additional improper payments to deceased retirees that are uncollected totaling \$40,789.30.

To evaluate the accuracy of the death audit report used by RRS before February 2024 and to assess RRS’s effectiveness in identifying and deactivating deceased members, the OCA reviewed death audit reports provided by the vendor from January 2023 to December 2023. The

⁴ While some payments made after a retiree's death are expected in any retirement system, these payments should be identified and recovered in a timely manner to prevent financial losses to the retirement system.



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review examined whether the nine individuals identified in the February 2024 death audit report had also appeared in previous audits provided to RRS.

The OCA found that prior death audit reports were incomplete, as described by RRS management, and were not effectively reviewed by RRS staff. Specifically:

- Seven of the nine retirees did not appear in any of the previous death reports reviewed.
- Two retirees were listed in all 12 prior death reports, yet they remained active in the system throughout the year. The report noted them as "...Exact Match on DOB,⁵ Exact Match on Last Names, Exact Match on First Names, No Match on SSN."⁶

RRS Management expressed uncertainty about why the former Payroll Accountant failed to identify the two retirees, noting that additional research should have been conducted since they were flagged in the report. To improve the process, RRS management informed the OCA that the new reports are now distributed to four staff members. The OCA notes that reviewing the old reports may have been challenging due to the high volume of matches requiring research. For example, previous death audit reports typically contained over 250 potential matches monthly, requiring extensive review by staff. In contrast, the February 2024 report contained only 22 matches weekly, making it significantly more manageable.

Ultimately, the OCA's review identified significant weaknesses in RRS's prior death audit process that led to improper payments to deceased retirees and potential financial losses to RRS. The reliance on a less reliable vendor report contributed to these errors. RRS has taken positive steps to enhance oversight by implementing an updated death audit report and involving additional staff in the review process. However, a well-designed process is only effective if it is followed and updated. To mitigate the risk of future overpayments and safeguard RRS funds, RRS should ensure that death audit results are thoroughly reviewed, deceased retirees are promptly deactivated, and vendor death audit reports are regularly assessed.

1B. The Richmond Retirement System did not adequately manage overpayments, resulting in uncollected outstanding amounts totaling \$415,660.76.

RRS last updated their SOP in 2014 for collecting overpayments resulting from delayed or untimely notifications of retiree deaths. It provided guidance on calculating overpayments, applying internal recoupment options, tracking outstanding balances, and initiating collection efforts when necessary. Specifically, the SOP required RRS staff to:

- Calculate the overpayment amount.
- Place stop payments on any outstanding checks and reverse recent direct deposits.

⁵ Date of Birth

⁶ Social Security Number



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- Offset the remaining overpaid amount against any one-time death benefits payable to beneficiaries.
- Document any remaining balance in an accounts receivable log.
- Send a letter to the retiree's estate notifying them of the overpayment.
- Send a second letter via certified mail requesting payment if no response is received.
- Write off the amount as uncollectible if no response is received after the second letter.

To assess RRS's compliance with the SOP and determine the outstanding balance of improper payments identified in **Finding 1A**, the OCA reviewed the collection process for the 45 deceased retiree accounts referenced in that finding. These accounts received their last benefit payments between calendar years 2020 and 2024.

The OCA found that RRS generally did not follow the SOP, and the majority of overpayments remain uncollected. Specifically, of the 44 accounts reviewed, only 10 were fully collected, while the remaining 34 had an outstanding balance of \$415,660.76.⁷ This amount includes overpayments for taxes and insurance premiums, which are paid directly to government agencies and healthcare providers rather than to the retiree. RRS staff informed the OCA that while taxes and insurance premiums identified within the same year can be adjusted, amounts from prior years cannot be recovered. As a result, \$101,277.46 in taxes and insurance premiums remain outstanding and may not be recoverable by the RRS.

Figure 1 below shows the gross overpayments, uncollected benefit amounts made to retirees, and uncollected taxes and premiums made on behalf of the 34 accounts with an outstanding balance at the conclusion of this audit.

Figure 1: Outstanding Balances for 34 Accounts

Account	Gross Overpayment	Uncollected Benefit Amount	Uncollected Taxes and Premiums	Total Uncollected Balance
Account 1	\$247,213.98	\$105,233.57	\$83,329.19	\$188,562.76
Account 2	\$75,518.21	\$65,653.24	\$8,027.85	\$73,681.09
Account 3	\$50,718.00	\$41,455.09	\$5,462.91	\$46,918.00
Account 4	\$28,049.58	\$27,549.58	\$0	\$27,549.58
Account 5	\$17,672.43	\$17,401.42	\$9.91	\$17,411.33
Account 6	\$10,117.79	\$10,117.79	\$0	\$10,117.79
Account 7	\$8,247.90	\$8,247.90	\$0	\$8,247.90

⁷ Of the 34, six accounts were fully collected from the retiree, however \$2,947.26 related to taxes or premiums paid on behalf of these six retirees were not recouped.



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Account	Gross Overpayment	Uncollected Benefit Amount	Uncollected Taxes and Premiums	Total Uncollected Balance
Account 8	\$6,433.78	\$6,179.24	\$254.54	\$6,433.78
Account 9	\$6,082.13	\$4,958.29	\$123.84	\$5,082.13
Account 10	\$3,660.19	\$3,660.19	\$0	\$3,660.19
Account 11	\$5,420.57	\$2,718.84	\$430.95	\$3,149.79
Account 12	\$4,600.62	\$2,517.34	\$0	\$2,517.34
Account 13	\$2,483.57	\$2,483.57	\$0	\$2,483.57
Account 14	\$2,500.41	\$2,259.93	\$240.48	\$2,500.41
Account 15	\$2,003.82	\$2,003.82	\$0	\$2,003.82
Account 16	\$2,832.71	\$1,832.71	\$0	\$1,832.71
Account 17	\$1,912.46	\$1,693.90	\$0	<i>\$1,693.90*</i>
Account 18	\$2,204.21	\$1,588.62	\$0	\$1,588.62
Account 19	\$2,908.28	\$1,463.14	\$0	\$1,463.14
Account 20	\$2,140.16	\$1,135.63	\$39.64	\$1,175.27
Account 21	\$1,887.00	\$1,109.95	\$14.96	<i>\$1,124.91*</i>
Account 22	\$1,153.90	\$1,010.01	\$0	\$1,010.01
Account 23	\$1,259.39	\$864.24	\$3.43	\$867.67
Account 24	\$3,736.60	\$812.22	\$123.84	\$936.06
Account 25	\$2,617.16	\$170.16	\$138.42	\$308.58
Account 26	\$161.34	\$148.54	\$0	<i>\$148.54*</i>
Account 27	\$5,248.98	\$83.25	\$127.81	\$211.06
Account 28	\$1,876.71	\$31.12	\$2.43	\$33.55
Account 29	\$13,789.89	(\$10)	\$863.63	\$863.63**
Account 30	\$457.59	(\$14.61)	\$14.61	\$14.61**
Account 31	\$1,559.76	(\$15.44)	\$15.46	<i>\$15.46**</i>
Account 32	\$1,410.55	(\$28.71)	\$28.65	<i>\$28.65**</i>
Account 33	\$29,693.84	(\$52.77)	\$1,932.03	<i>\$1,932.03**</i>
Account 34	\$199.01	(\$92.93)	\$92.88	<i>\$92.88**</i>

Source: Created by the OCA based on RRS system information and support received.

*These three may be collected, however support for system reversals was not supplied.

**Amounts paid to retiree were fully collected; however, taxes and premiums remain uncollected and cannot be netted.



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RRS management informed the OCA that a former Payroll Accountant was responsible for carrying out the procedures outlined in the SOP. This employee worked in isolation, and senior management was unaware of any actions taken regarding the overpayments in **Figure 1**. Both RRS management and staff stated that they had not reviewed the SOP until after the audit began. Additionally, RRS management indicated they were unaware of many of the overpayments noted in **Figure 1**.

The OCA noted all deceased retirees except for one listed in **Figure 1** were deactivated in the system before the audit. Additionally, RRS maintained a monthly death benefits log that tracked deceased employees and potential overpayments. Given these factors, the OCA determined that RRS had the information necessary to identify and address the overpayments but did not take appropriate action.

In our review, the OCA found the following deficiencies in RRS's implementation of the SOP, the SOP itself, or the collection process overall regarding (1) overpayment calculations, (2) internal recoupments, (3) tracking uncollected overpayments, and (4) collection letters. In addition, we were informed by RRS management that corrective actions described below have been implemented.

1. Overpayment Calculation

Use of Gross Instead of Net Amounts: The SOP instructed staff to calculate overpayments based on gross amounts rather than net, causing beneficiaries to be charged for tax and benefit payments they never received. As a result, at least \$204.46 was over-collected across five retirees when overpayments were recouped. RRS staff acknowledged that the SOP needed to be updated and informed the OCA that they have been using net amounts in recent calculations of overpayments.

Incorrect Death Dates in the System: 16 of 45 retirees reviewed had incorrect death dates recorded in the system, which could lead to miscalculated overpayments. In fact, one calculation from the sample used the system's date instead of the actual date of death. While RRS staff stated they believed backdating the date of death was limited to 3 – 6 months, the OCA found examples where dates were entered years later. The OCA could not conclude how the examples were entered as they were entered by a former RRS employee.

2. Internal Recoupments

Lack of Documentation for Reversals: After calculating overpayments, staff were supposed to stop payments or reverse deposits when possible. The OCA did not receive supporting documentation for \$4,806.12 in system-recorded reversals across 5 accounts, preventing verification of whether they actually occurred. In addition, some collection letters sent to the overpaid beneficiaries did not account for system reversals. The employee responsible for performing these reversals is no longer employed with RRS.



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3. Tracking Uncollected Overpayments

Inconsistent Record-Keeping: The OCA received two separate tracking files. One was maintained by a former Payroll Accountant (pre-2024) and a new one created in FY 2025 during the audit that is being updated to reflect overpayments. Of 16 retirees with overpayments prior to 2024, only 2 were recorded in the original file, making it unclear whether overpayments were properly tracked. RRS Management could not explain why 14 overpayments were not recorded in the original file as the employee responsible for the tracking file was no longer employed with RRS.

Lack of Management Oversight: The employee's manager did not know how overpayments were tracked and stated that the former employee worked in isolation. Additionally, both the manager and their supervisor informed the OCA they had not read the SOP until the audit began, and the supervisor noted that they were not aware of the tracking requirement in the SOP.

4. Collection Letters

Lack of Clear Guidance in the SOP: The SOP did not specify a timeframe for sending collection letters or designate responsibility for preparing and sending them.

Missing Collection Letters: Of 26 overpayments requiring a collection letter, only 9 letters were provided to the OCA.⁸ These were sent an average of 53 days after the last payment.

Inaccurate Letters: Of the nine letters sent to estates and beneficiaries, six contained inaccurate amounts due back to RRS. For example, one letter dated April 24, 2024, noted an amount due of \$5,015.32. The OCA noted that based on supporting documentation, the actual amount owed was \$6,179.24. RRS corrected the issue by sending a new letter dated March 24, 2025, which noted the corrected amount.

Failure to Send Second Collection Letters: If an overpayment remained outstanding, a second certified letter was required. However, of 25 cases requiring a second notice, only one was confirmed as sent prior to the audit.

Management Unable to Verify If Letters Were Sent: RRS management could not confirm whether missing letters were ever sent, as the former employee handled the process alone. If the letters were not retained, this would violate Virginia's record retention requirements.⁹

⁸ RRS system had reversals for three retirees as noted in Figure 1, therefore the OCA excluded them from this count. Also, one letter was sent to an account that is now fully collected.

⁹ General Schedule NO. GS-02 "County and Municipal Governments," https://www.lva.virginia.gov/agencies/records/sched_local/GS-02.pdf, page 4



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It is important to note that RRS management has informed the OCA that they took numerous corrective actions to address the OCA's findings during the course of the audit as follows:

1. **New Tracking File:** Staff created an updated tracking system for overpayments, which is still being populated with identified overpayments.
2. **Regular Oversight Meetings:** RRS now holds weekly meetings to track overpayments and collection efforts.
3. **New Approval Process for Overpayment Collection:** One employee calculates the overpayment and prepares the letter, the manager reviews it, and the Senior Deputy Director signs the letters and then they are mailed.
4. **Reissuance of Collections Letters:** New letters for those with errors were provided to the OCA if an outstanding balance still existed.

Further, RRS management informed the OCA that they have not written off any of the unrecovered amounts. Since brought to their attention by the OCA, RRS management have been working to see what still can be recovered.

1C. The Richmond Retirement System did not timely inform the Board of Trustees about overpayments to deceased retirees.

According to the GAO, an oversight body is responsible for monitoring the internal control system and providing input on remediating identified deficiencies.¹⁰ RRS is overseen by a Board of Trustees; however, the extent of its financial and operational oversight is unclear.

Per City Code,¹¹ the Board of Trustees is responsible for:

- Supervising the administration of the retirement plan,
- Determining eligibility for retirement benefits,
- Awarding retirement benefits as authorized by ordinance, and
- Performing other duties historically exercised by the Board of Trustees of the Richmond Retirement System.

In addition, City Code¹² states that if any change or error results in an overpayment or underpayment, when identified, the "Board" should correct it to what should have been paid.

¹⁰ GAO-14-704G, "Standards for Internal Control in Federal Government," <https://www.gao.gov/assets/gao-14-704g.pdf>, pages 26-27

¹¹ City Code Sec. 22-41. – "Administration of system" [Code of Ordinances | Richmond, VA | Municode Library](#)



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Although the Board appoints the Executive Director and can rely on them or staff to execute daily operations, the Board ultimately remains accountable for ensuring errors are corrected and that the correct benefits are paid.

The OCA found that overpayments were not communicated to the Board of Trustees in a timely manner, limiting their ability to provide effective governance and policy oversight. Without timely reporting, the Board could not assess financial risks within the retirement system or ensure that management had adequate controls in place to address overpayments.

The OCA noted the following timeline of events related to overpayments of which RRS management was aware but did not communicate to the board:

- **June 2022:** RRS identified a retiree who continued receiving payments despite passing away in February 2015, resulting in a total gross overpayment of \$247,213.98.
- **Between June 2022 and February 2024:** RRS management contacted the death audit vendor to investigate the issue. After discussions, RRS determined that they needed to switch to a newer death audit report.
- **February 2024:** RRS received the new death audit report for the first time, which identified nine deceased retirees with gross overpayments of \$110,037.89. The retirees' dates of death ranged from January 2019 to October 2023.

During interviews with RRS management, they stated that RRS staff did not inform them of any other retirees who had been overpaid for extended periods or whose overpayments remained uncollected. Additionally, management did not inquire whether this was an isolated incident or if similar cases had been identified. As a result, they believed these were the only instances.

On December 5, 2024, after being made aware of the OCA's observations, RRS informed the Board of Trustees that benefit overpayments had occurred. RRS management attributed the overpayments to staffing issues and an outdated process. The Executive Director informed the OCA that the Board of Trustees had not been notified sooner because their focus is more on governance and this issue was considered operational, which they noted to have been delegated to RRS staff. The Executive Director noted they were unaware of the city code but made a judgment call and notified the board in December.

Appropriate oversight is a critical component of an effective internal control system, ensuring communication, accountability, and timely resolution of ongoing issues within City government. Establishing clear oversight responsibilities would help ensure that issues like overpayments are promptly reported to the Board, even if operational responsibilities have been delegated to staff. With proper communication, the Board can perform its code-mandated duty of addressing and

¹² City Code Sec. 22-49. – “Correction of changes or errors in records resulting in erroneous payments” [Code of Ordinances | Richmond, VA | Municode Library](#)



Office of the City Auditor (OCA)

correcting overpayments. This may include requesting RRS to seek support from other City departments such as the OCA, the Office of the City Attorney, and the Office of the Inspector General.¹³

1D. The Richmond Retirement System’s overpayment collections policy contained incorrect information and was not specific enough to guide those responsible for completing the collection process.

According to the GAO, management is responsible for developing and implementing policies and procedures to achieve an entity’s objectives and guide its operations.¹⁴ Written policies and procedures are critical in ensuring staff understand their responsibilities, follow consistent processes, and take appropriate action in various situations. They also play a key role in knowledge transfer when employees transition.

The OCA obtained a copy of the Standard Operating Procedure (SOP) for processing overpayments, which includes a section titled “Overpayment Due to Death Procedures.” Upon reviewing the SOP, the OCA noted the following deficiencies:

- The SOP was last updated on May 30, 2014, following the implementation of the COR ERP retirement payroll system.
- A review was due by May 30, 2016, but the OCA could not determine if this occurred, as staff from that time are no longer present.
- The SOP directs staff to use the gross amount when calculating overpayments instead of the net amount, which could lead to over-collection from retirees, as noted in **Finding 1B**.
- The SOP does not clearly define who is responsible for sending collection letters or writing off accounts as uncollectible.
- The SOP lacks timeframe requirements for when collection letters should be sent and when accounts should be written off.
- The SOP does not establish clear criteria for determining when to write off amounts as uncollectible, other than a lack of response from the retiree’s family or estate.

To understand why the SOP had not been updated and why it lacked key procedural details, the OCA interviewed management and staff. The staff member responsible for the work outlined in

¹³ RRS Management noted they reached out to the City Attorney’s Office for collection guidance when the initial overpayment was identified in 2022.

¹⁴ GAO-14-704G, “Standards for Internal Control in Federal Government,” <https://www.gao.gov/assets/gao-14-704g.pdf>, pages 7-8



Office of the City Auditor (OCA)

the SOP was newly hired in April 2024 and read the SOP for the first time while working on the deceased overpayment process during the audit.

Management stated that they were either unaware of the SOP or did not realize it assigned them specific responsibilities, and as a result, they had not read it before the audit began.

Management and staff indicated that they are currently working to update the SOP. The OCA notes that without updated procedures, issues like those noted in **Findings 1A** and **1B** are more likely to occur.

Recommendations

The OCA notes that the issues documented in this report are significant and have been treated as such by RRS management. To date, RRS management has reported taking substantial steps toward addressing these issues. These actions include:

- Transitioning to an updated death audit report to improve the identification of deceased retirees and having more employees review the file.
- Updating the SOP.
- Implementing a new tracking process to better monitor outstanding overpayments.
- Issuing new letters to beneficiaries and estates related to outstanding overpayments.
- Holding weekly meetings to review overpayments and collection efforts.
- Revising the overpayment collection process to establish a structured approval workflow.
- Implementing a new system that allows them to research next of kin to assist with collection efforts.
- Notifying the Board of Trustees about the overpayment issues.

The OCA will review the implementation status of these actions as well as recommendations made below during our Quarterly Open Recommendation Follow-Up Review.



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Recommendation 1

High Priority

We recommend that the Richmond Retirement System Senior Deputy Director establish and implement a formal process to improve the identification and verification of deceased retirees. This process should include:

- Defining when and how employees should research obituaries, including how findings should be documented (e.g., date of research, sources reviewed, and results).
- Formally documenting the review of vendor-supplied death audit reports, including the verification of identified retirees.
- Periodically evaluating the effectiveness of vendor-supplied death audits, assessing whether reports are sufficient, and determining if an alternative or updated report is warranted.
- Developing and tracking performance measures, including metrics for the timely deactivation of retiree accounts following notification of death.

In addition, we recommend that RRS establish a review mechanism to ensure compliance with these procedures and require periodic internal assessments to confirm that obituary research, death audit reviews, and vendor evaluations are conducted as intended.

Recommendation 2

Medium Priority

We recommend that the Richmond Retirement System Chief Financial Officer collaborate with the Department of Information Technology to:

- Determine system limitations regarding how far back dates of death can be entered into the COR ERP system.
- If no limitations exist, ensure that the actual date of death is entered for all deceased retirees to improve accuracy in overpayment calculations and recordkeeping.
- If system limitations exist, develop an alternative method to accurately track actual dates of death for historical cases.
- Implement periodic system reviews to ensure dates of death are accurately recorded and updated as needed.

Recommendation 3

High Priority

We recommend that the Richmond Retirement System Senior Deputy Director review deceased retirees paid after their date of death and take the following actions:



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- Determine the total amount overpaid and still uncollected.
- Assess past collection efforts, including what actions were taken and their effectiveness.
- Investigate potentially fraudulent activity and report any findings to the appropriate oversight organizations.

All identified overpayments should be tracked in the department's tracking file, and documentation of all collection efforts should be maintained by the Retirement System.

Recommendation 4

High Priority

We recommend that the Richmond Retirement System Senior Deputy Director actively pursue collection efforts for all identified overpayments to deceased retirees that are deemed collectible. To ensure accountability, RRS should:

- Establish a structured collection process, including clear timelines for follow-ups and escalations.
- Document all collection efforts, including communications, payment arrangements, and any legal actions taken.
- Periodically review outstanding balances to assess whether additional collection efforts are warranted or if amounts should be written off per established criteria.

Recommendation 5

High Priority

We recommend that the Richmond Retirement System Senior Deputy Director coordinate with external agencies to attempt to recover overpayments related to insurance premiums and taxes paid on behalf of deceased retirees.

To ensure effectiveness, RRS should:

- Identify which agencies (e.g., tax authorities, insurance providers) received payments on behalf of deceased retirees.
- Determine refund eligibility for overpaid amounts.
- Formally request reimbursement and maintain documentation of all efforts.
- Track the status of recoupment efforts in the department's overpayment tracking file.



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Recommendation 6

High Priority

We recommend that the Richmond Retirement System Chief Financial Officer actively manage and monitor the deceased overpayments process by:

- Reviewing overpayment calculations to ensure accuracy and compliance with established procedures.
- Overseeing the tracking of outstanding amounts, ensuring all identified overpayments are properly documented in the tracking file.
- Monitoring collection efforts to verify that appropriate actions are taken and follow-ups occur as required.

To strengthen accountability, the Chief Financial Officer should document periodic reviews and require status updates from staff to ensure continued oversight.

Recommendation 7

High Priority

We recommend the Richmond Retirement System Executive Director collaborate with the Board of Trustees to clarify oversight responsibilities and timeframes. At a minimum, this should include:

- Reviewing City Code provisions with Board members and discussing their roles and responsibilities regarding oversight, to ensure shared understanding and compliance.
- Documenting and formalizing communication protocols between RRS management and the Board of Trustees to ensure consistent escalation of significant issues, such as overpayments or control failures.
- Providing periodic briefings or reports to the Board on operational risks, control weaknesses, and corrective actions taken by RRS management, even if the issues are considered operational in nature.
- Conducting regular internal reviews of overpayment or underpayment cases and reporting summarized results to the Board.

Recommendation 8

High Priority

We recommend that the Richmond Retirement System Senior Deputy Director update the Overpayment Collections Policy to include:



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- The corrected calculation method for overpayments, ensuring net amounts are used instead of gross amounts.
- A defined timeframe for sending the first and second notification letters to deceased retirees' estates.
- Clear responsibility assignments for creating and sending notification letters.
- A timeframe for writing off accounts as uncollectible.
- Identification of the individual or position responsible for determining when accounts should be written off.
- A standardized methodology for determining which accounts qualify to be written off.

These updates should be formally documented, communicated to staff, and periodically reviewed to ensure compliance and effectiveness.

Once policies are updated, we recommend that the Richmond Retirement System Senior Deputy Director implement formal training for all relevant staff on overpayment handling, including:

- SOP updates and how to apply them in daily operations.
- Roles and responsibilities for processing, tracking, and escalating overpayments.
- Use of the tracking file to ensure accurate recordkeeping.
- Reporting requirements and escalation protocols for unresolved or questionable cases.

Recommendation 9

High Priority

We recommend that the Richmond Retirement System Executive Director develop a plan to ensure overpayment processes continue uninterrupted when key staff leave. This plan should include:

- Cross-training multiple employees on overpayment tracking, collections, and write-offs.
- Requiring documentation and knowledge transfer for all financial processes related to overpayments.
- Periodic reviews to ensure no single employee is solely responsible for the process.



Appendix A

Compliance Statement, Objectives, Scope, and Methodology

Compliance Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The objective of this audit was to evaluate the timeliness and accuracy of year-end 1099-R processing through the Richmond Retirement System.

Scope

The scope of the audit is the 13-month period ending January 31, 2024, and the current operating environment.

Methodology

The OCA performed the following procedures to complete this audit:

- Researched and reviewed Richmond City Ordinances dictating retirement processes and allowances. Evaluated Richmond Retirement Systems procedures and documentation based on these ordinances.
- Interviewed department staff to determine benefit application, processing, and distribution practices.
- Reviewed and analyzed member data including payroll, benefit reports, age, and deceased tracking.
- Judgmentally selected a sample of members currently on RRS Payroll to determine the accuracy of their benefit calculations as well as evaluating the calculation method.
- Judgmentally selected a sample of members currently on RRS Payroll who received an adjustment to their standard benefit in calendar year 2023 to determine the type



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and accuracy of the adjustment through support documentation.

- Judgmentally selected a sample of members who were determined deceased through RRS processes to ensure that all information relating to their death and termination within the RRS Payroll system was conducted accurately and that benefits were routed correctly thereafter based on retirement plan determination.
- Judgmentally selected a sample of RRS members who are aged 65 or above and tested to ensure procedures were conducted appropriately to remove them from ineligible benefits.
- Judgmentally selected a sample of members currently on RRS Payroll who received a one-time payment. These payments were analyzed for the reason of the payment and the accuracy of the amount.
- Judgmentally selected a sample of members currently on RRS Payroll who received supplemental payments in calendar year 2023 to evaluate the accuracy of the payment as well as evaluate the perimeters for which the retirement members would be eligible to receive the supplement.

Management Responsibility

Management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.



Appendix B

Definition of Audit Recommendations Priorities

The Office of the City Auditor (OCA) assigns priority ratings for the recommendations based on the importance and impact of each recommendation to the City, as outlined in the table below. The OCA is responsible for assigning priority ratings for recommendations, and management is responsible for establishing target dates for implementing the recommendations.

PRIORITY LEVEL	PRIORITY LEVEL DEFINITION
HIGH	The recommendation addresses critical issues that are occurring that pose significant risks to the organization, including significant internal control weaknesses, non-compliance with laws and regulations, financial losses, fraud, and costly or detrimental operational inefficiencies.
MEDIUM	The recommendation addresses moderate issues that could escalate into larger problems if left unaddressed. While they may not pose an immediate risk, they could lead to significant financial losses or costly operational inefficiencies over time. There is potential to strengthen or improve internal controls.
LOW	The recommendation improves overall efficiency, accuracy, or performance in City operations.



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #1

We recommend that the Richmond Retirement System Senior Deputy Director establish and implement a formal process to improve the identification and verification of deceased retirees.

This process should include:

- Defining when and how employees should research obituaries, including how findings should be documented (e.g., date of research, sources reviewed, and results).
- Formally documenting the review of vendor-supplied death audit reports, including the verification of identified retirees.
- Periodically evaluating the effectiveness of vendor-supplied death audits, assessing whether reports are sufficient, and determining if an alternative or updated report is warranted.
- Developing and tracking performance measures, including metrics for the timely deactivation of retiree accounts following notification of death.

In addition, we recommend that RRS establish a review mechanism to ensure compliance with these procedures and require periodic internal assessments to confirm that obituary research, death audit reviews, and vendor evaluations are conducted as intended.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

RRS transitioned to CertiDeath in February of 2024. CertiDeath reviews over 26,000 obituaries per day and we use this resource to identify deaths not reported by other sources. Management will review death reports and will periodically inquire on the effectiveness of these audits. The CFO will review the work performed by the payroll accountant to ensure deceased retiree accounts are deactivated timely. The Senior Deputy Director will review this as well. These steps are updated in the SOP.

Target Date or Date Implemented

May 2025

Title of Responsible Employee

Senior Deputy Director/ CFO/ Payroll Accountant



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #2

We recommend that the Richmond Retirement System Chief Financial Officer collaborate with the Department of Information Technology to:

- Determine system limitations regarding how far back dates of death can be entered into the COR ERP system.
- If no limitations exist, ensure that the actual date of death is entered for all deceased retirees to improve accuracy in overpayment calculations and recordkeeping.
- If system limitations exist, develop an alternative method to accurately track actual dates of death for historical cases.
- Implement periodic system reviews to ensure dates of death are accurately recorded and updated as needed.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

We are currently confirming the extent of system limitations within the City's database related to backdating dates of death. Once these limitations are fully defined, solutions will be explored and sufficiently tested. Additionally, we are enhancing the review process, aligned with our existing monthly payroll quality control reviews, to ensure continued accuracy and consistency in recording and updating dates of death.

Target Date or Date Implemented

May 2025

Title of Responsible Employee

Chief Financial Officer



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #3	
We recommend that the Richmond Retirement System Senior Deputy Director review deceased retirees paid after their date of death and take the following actions: • Determine the total amount overpaid and still uncollected. • Assess past collection efforts, including what actions were taken and their effectiveness. • Investigate potentially fraudulent activity and report any findings to the appropriate oversight organizations. All identified overpayments should be tracked in the department's tracking file, and documentation of all collection efforts should be maintained by the Retirement System.	
Concur (Yes/No)	Yes
ACTION STEPS <i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
Steps have been updated in the SOP to ensure that the correct calculation was entered into the overpayment and death log. Management will review and sign off on the log. Past collection efforts will be documented on the overpayment log. If fraud is suspected, it will be reported.	
Target Date or Date Implemented	May 2025
Title of Responsible Employee	Senior Deputy Director



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #4	
We recommend that the Richmond Retirement System Senior Deputy Director actively pursue collection efforts for all identified overpayments to deceased retirees that are deemed collectible. To ensure accountability, RRS should: • Establish a structured collection process, including clear timelines for follow-ups and escalations. • Document all collection efforts, including communications, payment arrangements, and any legal actions taken. • Periodically review outstanding balances to assess whether additional collection efforts are warranted or if amounts should be written off per established criteria.	
Concur (Yes/No)	Yes
ACTION STEPS	
<i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
The SOP has been updated with defined timelines on collection efforts. Documentation is maintained and copies of all letters/correspondence are kept in the deceased member's file. Collection efforts are maintained by the Fiscal Unit and will be reviewed by the Senior Deputy Director. Management will periodically review outstanding balances and will adhere to policy guidelines.	
Target Date or Date Implemented	05/05/2025
Title of Responsible Employee	Sr. Deputy Director/ CFO



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #5

We recommend that the Richmond Retirement System Senior Deputy Director coordinate with external agencies to attempt to recover overpayments related to insurance premiums and taxes paid on behalf of deceased retirees.

To ensure effectiveness, RRS should:

- Identify which agencies (e.g., tax authorities, insurance providers) received payments on behalf of deceased retirees.
- Determine refund eligibility for overpaid amounts.
- Formally request reimbursement and maintain documentation of all efforts.
- Track the status of recoupment efforts in the department's overpayments tracking file.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Senior Deputy Director will research if deceased retiree tax payments can be recouped. Research with insurance providers will also be performed on these deceased retiree premiums.

Target Date or Date Implemented

FY2026

Title of Responsible Employee

Senior Deputy Director



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #6	
We recommend that the Richmond Retirement System Chief Financial Officer actively manage and monitor the deceased overpayments process by: • Reviewing overpayment calculations to ensure accuracy and compliance with established procedures. • Overseeing the tracking of outstanding amounts, ensuring all identified overpayments are properly documented in the tracking file. • Monitoring collection efforts to verify that appropriate actions are taken and follow-ups occur as required. To strengthen accountability, the Chief Financial Officer should document periodic reviews and require status updates from staff to ensure continued oversight.	
Concur (Yes/No)	Yes
ACTION STEPS <i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
To ensure accuracy and consistency in calculating overpayments, all overpayment calculations will be reviewed. To improve tracking, weekly review meetings have been established between the CFO and the Payroll Accountant to monitor the overpayment log. These reviews confirm that all overpayments are properly recorded, communications are documented, and any payments received are entered in a timely manner. In addition, the SOP has been updated on handling payments. To reinforce accountability, a process to document periodic reviews of overpayment activity has been implemented. Regular meetings are held with staff to review the status of outstanding cases, and updates are logged to ensure ongoing oversight and resolution.	
Target Date or Date Implemented	May 2025
Title of Responsible Employee	Chief Financial Officer



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #7

We recommend the Richmond Retirement System Executive Director collaborate with the Board of Trustees to clarify oversight responsibilities and timeframes. At a minimum, this should include:

- Reviewing City Code provisions with Board members and discussing their roles and responsibilities regarding oversight, to ensure shared understanding and compliance.
- Documenting and formalizing communication protocols between RRS management and the Board of Trustees to ensure consistent escalation of significant issues, such as overpayments or control failures.
- Providing periodic briefings or reports to the Board on operational risks, control weaknesses, and corrective actions taken by RRS management, even if the issues are considered operational in nature.
- Conducting regular internal reviews of overpayment or underpayment cases and reporting summarized results to the Board.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Executive Director will provide periodic briefings to the Board.

Target Date or Date Implemented

FY 2026

Title of Responsible Employee

Executive Director



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #8

We recommend that the Richmond Retirement System Senior Deputy Director update the Overpayment Collections Policy to include:

- The corrected calculation method for overpayments, ensuring net amounts are used instead of gross amounts.
- A defined timeframe for sending the first and second notification letters to deceased retirees' estates.
- Clear responsibility assignments for creating and sending notification letters.
- A timeframe for writing off accounts as uncollectible.
- Identification of the individual or position responsible for determining when accounts should be written off.
- A standardized methodology for determining which accounts qualify to be written off.

These updates should be formally documented, communicated to staff, and periodically reviewed to ensure compliance and effectiveness.

Once policies are updated, we recommend that the Richmond Retirement System Senior Deputy Director implement formal training for all relevant staff on overpayment handling, including:

- SOP updates and how to apply them in daily operations.
- Roles and responsibilities for processing, tracking, and escalating overpayments.
- Use of the tracking file to ensure accurate recordkeeping.
- Reporting requirements and escalation protocols for unresolved or questionable cases.

Concur (Yes/No)

Yes

ACTION STEPS

(Please describe the steps you will take or have taken to address the recommendation)

The Senior Deputy Director has updated the SOP with enhanced instructions on how to calculate overpayments. There are instances where RRS will need to use gross amounts and there will be cases where RRS will use the net amounts. Timelines have been established on when to send letters, which manager will sign, and when the balance should be deemed uncollectible. Staff has been trained on this process.

Target Date or Date Implemented

May 2025

Title of Responsible Employee

Sr. Deputy Director



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System

1099-R Process

RECOMMENDATION #9	
We recommend that the Richmond Retirement System Executive Director develop a plan to ensure overpayment processes continue uninterrupted when key staff leave. This plan should include: • Cross-training multiple employees on overpayment tracking, collections, and write-offs. • Requiring documentation and knowledge transfer for all financial processes related to overpayments. • Periodic reviews to ensure no single employee is solely responsible for the process.	
Concur (Yes/No)	Yes
ACTION STEPS <i>(Please describe the steps you will take or have taken to address the recommendation)</i>	
The fiscal unit is responsible for overpayment tracking and is overseen by the Sr. Deputy Director. Responsibilities have been reviewed and updates to the process are now in place.	
Target Date or Date Implemented	May 2025
Title of Responsible Employee	Executive Director/ Sr. Deputy Director



MANAGEMENT RESPONSES

OCA 2025-10

Richmond Retirement System
1099-R Process

The primary reason for Richmond Retirement System (RRS) death-related overpayments relates to a change in privacy laws that has made obtaining death information difficult. Hence, stopping a pension at death will not always occur in a timely manner. Up until early 2024, RRS used a database from the Berwyn Group to obtain death records. Our research on Berwyn confirmed they maintained one of the most complete commercially available death data sets in the industry. RRS moved to CertiDeath in early 2024 and was an early adopter of this enhanced death database software. Recent experience with CertiDeath has shown improvement.

In addition, RRS proactively made staffing changes related to stopping pensions at death. The staffing changes, and the move to CertiDeath, occurred prior to the commencement of the Internal Audit.

SOPs were updated during the internal audit.