



# I n t e r n a l A u d i t D e p a r t m e n t

O R A N G E C O U N T Y

## AUDIT HIGHLIGHT SEPTEMBER 11, 2014

### COUNTY OF ORANGE RETIREE MEDICAL PLAN – ANNUAL REQUIRED COUNTY CONTRIBUTIONS Audit No. 1316

#### WHAT THE AUDIT DID

Review the County's Annual Required Contributions (ARC) to the County of Orange Retiree Medical Trust (an Internal Revenue Code Section 115 Trust and 401(h) account) within Orange County Employees Retirement System (OCERS) for the Retiree Medical Plan (Plan) to determine if the County implemented the actuarial recommendations to fund the Plan for FY 2012-13.

#### WHY THIS AUDIT IS IMPORTANT

Effective August 1, 1993, the County of Orange adopted the County of Orange Retiree Medical Plan (Plan) to assist career employees in maintaining health insurance coverage following their retirement from County services. The Plan provides eligible retirees, their eligible survivors and dependents with a monthly Grant that will be applied toward the cost of County offered health insurance coverage. The County makes contributions to the Plan through the County of Orange Retiree Medical Trust (an IRC Section 115 trust and a 401 (h) account within OCERS). The contribution is based on the adopted ARC rates. Because of subsequent labor negotiations, the Plan has been amended and restated. As a result, some bargaining groups no longer participate in the Plan or may now make employee contributions into the Plan. During FY 2012-13, the County contributed \$37,275,730 to the Plan and has transferred \$46,663,719, including contributions made by some employees and other public entity participants, to the Trust within OCERS.

#### WHAT THE AUDITORS FOUND

We found the County implemented the actuarial recommendations to fund the Retiree Medical Plan for FY 2012-13. Our audit identified **four (4) Control Findings** regarding the approval process of the Annual Required Contribution (ARC) rates, the review process of updating ARC rates in CAPS+, the regular transferring of ARCs to the trust account and the timeliness of reconciling and recording trust activities in the County's book.