



Lawrence F. Alwin, CPA

Two Commodore Plaza  
206 East Ninth Street, Suite 1900  
Austin, Texas 78701

Phone: (512) 479-4700  
Fax: (512) 479-4884

An Audit at the Office of the  
Fire Fighters' Pension Commissioner

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Fiscal Year 1998 Financial Statements

May 26, 1999

Members of the Legislative Audit Committee:

Our audit for fiscal year 1998 found that the pension funds are financially sound<sup>1</sup> and that the Office of the Fire Fighters' Pension Commissioner (Commission) continues to improve agency operations. We also noted that the Commission still needs to implement some of our prior recommendations in order to further improve operations.

The Commission manages programs in accordance with the Texas Statewide Emergency Services Retirement Act (TSESRA) and the Texas Local Fire Fighters Retirement Act (TLFFRA).

- The Commission provides pension benefits to approximately 7,400 volunteer emergency services personnel. Assets held in trust totaled \$25.5 million, and the pension payments amounted to \$1.6 million.
- The Commission also monitors the pension plans for 136 TLFFRA departments throughout the State for nearly 9,800 members.

Since our prior year's audit the Commission has:

- Improved governance and oversight of Commission activities including contracting, policy making, and hiring of qualified investment advisors
- Displayed a heightened awareness of the need to strengthen management controls
- Further diversified the investment portfolio
- Worked with the Legislature and the Office of the Governor to request funding for increased staffing

SAO Report No. 99-037

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<sup>1</sup>The State Auditor's Office issued an unqualified opinion on the annual financial report of the Fire Fighters' Pension Commissioner (Commission) as of and for the year ended August 31, 1998. The financial statements are contained in the Annual Fire Fighter's Pension Report, expected to be published in June of 1999.

An unqualified opinion indicates that the financial statements fairly and accurately represent the Commission's financial position and results of operations as of a given date.

We provided the Commission with the *Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

The Commission is still in the process of implementing some of our prior audit recommendations (SAO Report Nos. 98-003 and 99-012). Specifically, the recommendations pertain to:

- Inadequate monitoring of internal controls
- Inadequate segregation of duties
- Lack of available employees to back up functions of absent employees

If it fully implemented these recommendations, the Commission could reduce the risk of improper management and incorrect financial data. We recommend that the Commission continue to implement our prior recommendations. The Commission generally agrees with our recommendations.

We also have provided the Commission with other comments and recommendations.

We appreciate the cooperation of the Commissioner and the staff. The Commission's Board of Trustees will receive more details about the results of this audit at an upcoming board meeting. Please call Carol A. Smith, Audit Manager, at 479-4700 if you have any questions.

Sincerely,



Lawrence F. Alwin, CPA  
State Auditor

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cc: Fire Fighters' Pension Commissioner Board of Trustees  
Mr. Morris E. Sandefer, Commissioner

**Objectives, Scope, and Methodology**

Our objectives were to:

- Express an opinion on the Commission's financial statements for the fiscal year ended August 31, 1998.
- Review compliance with applicable laws and rules.

The scope of this audit included expressing an opinion on the financial statements and complying with applicable generally accepted auditing standards and *Government Auditing Standards*.

We gained an understanding of the overall control environment and controls to the extent necessary to plan the audit. We tested controls and material accounts as deemed necessary to support our opinion.

Tests of accounts primarily included:

- Details and supporting entries
- Confirmations
- Analytical reviews

In addition, we tested compliance with laws and regulations primarily related to investments that may have a material impact on the financial statements.