

**CITY OF SUNRISE
POLICE OFFICERS' RETIREMENT PLAN**

MEMORANDUM ON REVIEW OF
INTERNAL CONTROL STRUCTURE

September 30, 2014 and 2013

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January 15, 2015

Board of Trustees
City of Sunrise Police Officers'
Retirement Plan
Sunrise, Florida

In planning and performing our audits of the financial statements of City of Sunrise Police Officers' Retirement Plan (Plan) for the year ended September 30, 2014, we considered the Plan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we observed certain matters that are opportunities for strengthening internal controls and operating efficiency.

We present our observation and recommendation under the following captions for your consideration:

Average Final Compensation
Compensation - Paid or Earned

Average Final Compensation

During the fiscal year ended September 30, 2012, the City acknowledged that its AFC calculations were based on the best three consecutive years rather than the best individual three years that consist of 12 consecutive months. Although this AFC definition changed on October 1, 2000, the City never reprogrammed its system to coincide with the City ordinance.

Compensation - Paid or Earned

Another issue that the Board needs to address with the City is the treatment of retroactive pay. The City has determined that the retroactive pay is included in the pensionable wages in the year the pay was earned as opposed to the year in which it was paid. This is despite the fact that “salary” is defined in the pension ordinance as actual fixed compensation paid.

This treatment also does not agree to the Internal Revenue Service definition of when wages are to be considered as income. In addition, the timing of this recognition does not agree to the practices that are widely recognized and prevalent for pension plans.

We again recommend that the Board continue to review and resolve both this and the Average Final Compensation issue.

Update

On January 6, 2015 the Plan’s actuary e-mailed the city requesting information on the status of the administrative procedure document for calculating participants’ Average Final Compensation. The city replied that city staff planned to “start working on this in the next couple of weeks.”

We agree with the Plan’s actuary “that a computer program should be created that would total every possible three-year contribution to determine the greatest amount.”

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Plan personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

DAVIDSON, JAMIESON & CRISTINI, P.L.