

AUDIT REPORT

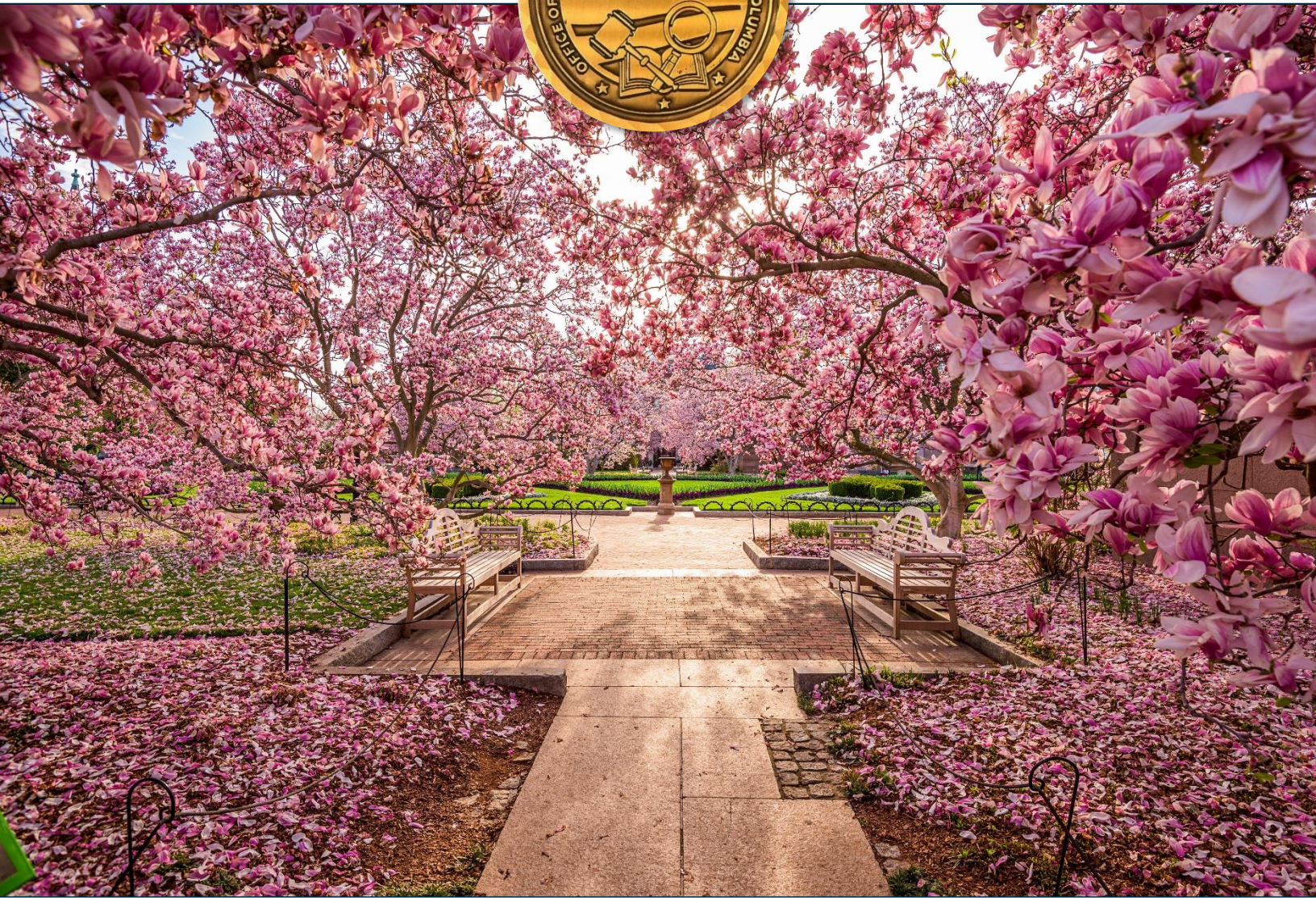
Other Post-Employment Benefits Fund

Management Recommendations

Fiscal Year 2025

OIG No. 25-1-06MA(a)

January 30, 2026



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.



OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.


Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.



MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas 
Inspector General

Date: January 30, 2026

Subject: **Other Post-Employment Benefits Fund Management
Recommendations | [OIG No. 25-1-06MA\(a\)](#)**

This memorandum transmits the final report *Other Post-Employment Benefits Fund Management Recommendations* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) provided this report to the Office of the Inspector General as part of the annual audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 5, 2026, CLA issued a management letter noting two control deficiencies discovered during the audit. While there were not significant deficiencies or material weaknesses, CLA provided two recommendations to enhance the fund's internal controls and improve operational efficiency.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.



To Management
District of Columbia Other Post-Employment Benefits Plan
Washington, DC

In planning and performing our audit of the financial statements of the District of Columbia Other Post-Employment Benefits Plan (the Plan) as of and for the year ended September 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated January 5, 2026 on the entity's internal control. This letter does not affect our report on the financial statements dated January 5, 2026, nor our internal control communication dated January 5, 2026.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity 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.

Management's written responses to the above deficiencies have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not provide any assurance on the responses.

This communication is intended solely for the information and use of management, Members of the Council of the Government of the District of Columbia and Inspector General of the Government of the District of Columbia, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Arlington, Virginia
January 5, 2026

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

OPEB 2025-001: Incorrect health and life premium charged to retirees

During testing of retiree premium payments of the District Other Post-employment Benefit (OPEB) Plan, it was found that the District had identified circumstances such that retirees (e.g. 401a and Police/Fire/ Teachers retirement plan participants) were paying inaccurate premiums for health and life insurance benefits.

The Government of the District of Columbia established the District's Annuitants' Health and Life Insurance Employer Contribution Trust Fund on October 1, 1999, pursuant to the Annuitants' Health and Life Insurance Employer Contribution Amendment Act of 1999 (D.C. Official Code § 1-621.09). Health and life insurance benefits provided to retirees are commonly referred to as "Other Post-Employment Benefits" (OPEB). The OPEB Plan includes a trust fund that receives annual District contributions on behalf of retired employees, as well as premium payments from retirees, with these amounts and related investment earnings used to pay future benefits for eligible participants. The plan is jointly administered by the District's Office of Finance and Treasury within the Office of the Chief Financial Officer (OCFO) and the District of Columbia Department of Human Resources.

As a result of the conditions identified, retirees were found to be paying incorrect OPEB premium amounts. These inaccuracies affected the calculation of required contributions, resulting in retirees either overpaying or underpaying for their health and life insurance benefits.

Discussions with District officials indicated that the root cause of the issue was the use of incorrect data points in calculating OPEB premiums for District retirees. The reliance on inaccurate or incomplete information led to errors in premium determinations, highlighting the need for improved data validation and review processes.

Recommendation:

The District needs to implement effective internal controls to ensure that retirees' OPEB premiums are calculated correctly.

Management Response:

Management acknowledges that this finding is a repeat from FY2024 and remains committed, in coordination with its partners, to addressing the issue to ensure retiree health and life insurance premiums are calculated accurately.

During FY2024, DCHR and its partners identified issues that resulted in inaccurate health and life insurance premiums being charged to certain retirees. The District correctly paid and collected premiums; however, the calculations were based on incorrect data points. Key partners involved in addressing this finding include the DC Retirement Board (DCRB), the District's Office of Finance and Treasury within the Office of the Chief Financial Officer (OCFO), and the U.S. Federal Treasury. Together, these partners continue to work toward remediation through the implementation of enhanced internal controls.

In FY2025, DCHR, DCRB, and OCFO began implementing improvements to internal controls related to premium calculations. Preventive controls include embedding correct premium calculations into DCHR's revised retiree and premium database, revising the life insurance vendor contract effective January 1 to reduce administrative complexity, and initiating updates to the STAR system to ensure accurate life insurance premium calculations.

Detective controls include annual audits of premium data, with an additional audit scheduled for December 2025 following the close of open enrollment to ensure accuracy prior to the next calendar year.

Corrective actions are also underway. In FY2025, DCHR and DCRB engaged OCFO to present corrective action plans related to insurance premiums. With respect to life insurance, DCHR and DCRB are correcting inaccurate premium amounts for affected retirees and adjusting contributions for remaining periods of coverage in FY2026. For health insurance, corrective actions will be applied prospectively for retirees who retired between 2009 and 2026 where inaccuracies were identified, while retirees already paying correct prescribed contribution levels will continue to do so.

The target completion date for these corrective actions is September 30, 2026. DCHR appreciates the continued collaboration and looks forward to fully implementing these actions to strengthen controls, improve premium accuracy, and enhance record documentation related to the District's OPEB Trust.

OPEB 2025-002: Plan reporting of Retiree Contributions

The plan currently records amounts received from inactive members as additions in the statement of changes in fiduciary net position.

GASB Codification Section P50.714-3 provides guidance on the reporting of amounts collected from inactive plan members under a defined benefit OPEB plan. The guidance states that amounts collected from inactive plan members who are receiving benefits should be reported as additions in the statement of changes in fiduciary net position. Amounts collected from inactive plan members are recorded by the OPEB plan as both an asset and a liability when received, with the balances reduced as benefits are paid. Accordingly, amounts received during the reporting period from inactive plan members that relate to benefit payments for that same period should not be reported as revenue in the OPEB plan's financial statements.

Any portion of amounts received from inactive plan members that is collected in advance of the period to which the payments relate and held by the OPEB plan at the end of the reporting period should be reported as a liability in the OPEB plan's statement of fiduciary net position. This treatment ensures that amounts are recognized in the appropriate period and presented consistently with GASB reporting requirements.

For the years ended September 30, 2025 and 2024, inactive contributions totaled \$2,051,404 and \$1,738,746, respectively. The cause of this condition is that the plan has historically reported contributions in this manner and was not previously aware of the applicable GASB guidance governing the reporting of inactive member contributions.

Recommendation:

We recommend that management of the Plan review the guidance and correct the amounts reported in the financial statements.

Management Response:

Management concurs and will take corrective action.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

The following chart outlines the status of the prior year management as of September 30, 2025.

Finding Number	Management Recommendations	Status
2024-03	Implement effective internal controls to ensure that retirees' OPEB premiums are calculated correctly.	This finding is repeated as finding number 2025-001.



REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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