

Office of Audit Services



Public Agency Review

**Associated Students, Inc., California
State Polytechnic University, Pomona**

**CalPERS ID: 5489202153
Job Number: P14-016**

May 2016



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (877) 249-7442
(916) 795-0802 phone, (916) 795-7836 fax
www.calpers.ca.gov

May 26, 2016

CalPERS ID: 5489202153
Job Number: P14-016

Cora M. Culla, Director
Associated Students, Inc.
California State Polytechnic University, Pomona
3801 W. Temple Ave Building 35
Pomona, CA 91768

Dear Ms. Culla:

Enclosed is our final report on the results of the public agency review completed for the Associated Students, Inc. (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report.

In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Associated Students, Inc.
Dr. Benjamin Quillian, Acting Vice President and CFO for Administrative Affairs, Associated Students, Inc.
Kathleen Street, Acting Vice President for Student Affairs, Associated Students, Inc.
Joice Xiong, Director of Audit, Associated Students, Inc.
Julian Herrera, ASI President, Associated Students, Inc.
Carol Lee, Director of Financial Services, Associated Students, Inc.
Danielle Sanders, Acting Manager for Human Resources, Associated Students, Inc.
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS
Carene Carolan, Chief, MAMD, CalPERS

**ASSOCIATED STUDENTS, INC.,
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RESULTS IN BRIEF

The objective of our review was to determine whether the Associated Students, Inc., California State Polytechnic University, Pomona (Agency) complied with applicable sections of the California Government Code (Government Code), California Code of Regulations (CCR), and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings during the review. Details are noted in the Results section beginning on page two of this report.

- Payrates and earnings were incorrectly reported.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Unused sick leave was incorrectly reported.
- Observation: Contract exclusion for hourly-compensated employees was not clear.

OAS recommends the Agency comply with applicable sections of the Government Code, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

SCOPE

The Agency contracted with CalPERS effective July 1, 1966 to provide retirement benefits for local miscellaneous employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and by the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the Board approved plan, OAS reviewed the Agency's payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from July 1, 2011 through June 30, 2014. The review objectives and methodology are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency incorrectly reported payrates and earnings.

Condition:

- A. The Agency incorrectly reported an Accounts Receivable/Vault Cashier's payrate for the January 16, 2013 through July 15, 2013 period. Specifically, the Agency reported a monthly payrate of \$31,767.00 instead of the correct monthly payrate of \$3,167.00. In addition, the Agency reported a monthly payrate of \$3,166.67 in the pay period ended June 30, 2014, but the correct payrate was \$3,198.46
- B. The Agency also understated payrates for other employees reviewed in the pay period ended June 30, 2014. Specifically:
- The Agency reported a monthly payrate of \$11,124.58 for the Executive Director. However, the Agency should have reported a monthly payrate of \$11,774.58.
 - The Agency reported a monthly payrate of \$4,085 for the Marketing and Public Relations Manager. However, the Agency should have reported a monthly payrate of \$4,289.26.
 - The Agency reported a monthly payrate of \$6,102.08 for the Director of Business Services. However, the Agency should have reported a monthly payrate of \$6,407.16.
- C. While reviewing the payrates and earnings noted in Finding 1A and 1B, OAS noted that additional payrates and/or earnings were under reported in various pay periods between July 1, 2013 and June 30, 2014. In some cases, the incorrect reporting was due to the Agency not increasing payrates and earnings when the employees received salary increases. In other cases, the Agency did not adjust payrates and earnings for retroactive salary increases.

Payrate and earnings are important factors in computing a member's retirement allowance.

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Recommendation:

The Agency should ensure payrate and earnings are reported correctly.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20630, § 20636

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2: Special compensation was not reported in accordance with the Government Code and CCR.

Condition:

The Agency's written labor policy did not include the condition for payment of Temporary Upgrade Pay. Specifically, the written labor policy contained a provision for Temporary Upgrade Pay; however, it did not identify the amount payment. CCR Section 571(b) requires the written labor policy or agreement contain the conditions for payment of, including, but not limited to, the eligibility for, and amount of, the special compensation.

Recommendation:

The Agency should ensure condition for payment of Temporary Upgrade Pay is included in a written labor policy or agreement.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636
CCR: § 571

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3: The Agency did not report the correct number of unused sick days for retiring members.

Condition:

The Agency incorrectly reported the number of unused sick days for a retiring member. Specifically, the Agency certified that the retiring member had 47.5 days of unused sick leave balance at the time of retirement. However, the correct balance was 9.06 days. As a result, the Agency overstated the retiring member's balance. In addition, the Agency did not report an unused sick leave balance for another retiring member. However, the retiree had an unused sick leave balance of 210.71 days at the time of retirement.

Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. The total number of unused sick leave hours at retirement is converted to days to determine the additional service credit.

Recommendation:

The Agency should ensure the correct amount of unused sick leave is reported to CalPERS.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

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Observation: The Agency's contract exclusion for hourly compensated employees was not clearly defined.

The contract between CalPERS and the Agency effective July 1, 1966 excludes employees compensated on an hourly basis. Pursuant to a CalPERS request, the Agency informed CalPERS of its use and interpretation of the hourly exclusion stating that it's part-time, interim, and temporary positions were hourly.

OAS found the Agency enrolled employees who were paid on an hourly basis into membership. However, these employees were listed as full-time and salaried in the Agency records. The Agency also enrolled a full-time employee paid on an hourly basis. Further, the Agency did not enroll employees who were paid on an hourly basis and worked over 1,000 hours in a fiscal year. OAS recommends the Agency work with EAMD to clearly define its interpretation of the hourly exclusion and to ensure it is properly and consistently applied pursuant to Government Code Section 20502.

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract except as noted.

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code Section 20134 and Sections 555-555.4, Title 2, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, CPA, MBA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Senior Manager
Jose Martinez, Lead Auditor
Zachary Barlow, Auditor

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APPENDIX A

OBJECTIVES

ASSOCIATED STUDENTS, INC., CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

OBJECTIVES

The objectives of this review were limited to determine whether the Agency complied with:

- Applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the CCR.
- Reporting and enrollment procedures as they relate to the Agency's retirement contract with CalPERS.

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

This review did not include an assessment as to whether the Agency is a "public agency," and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

METHODOLOGY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
 - Provisions of the contract and contract amendments between the Agency and CalPERS
 - Correspondence files maintained at CalPERS
 - Agency Board minutes and Agency Board resolutions
 - Agency written labor policies and agreements
 - Agency salary, wage and benefit agreements including applicable resolutions
 - Agency personnel records and employee time records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Other documents used to specify payrate, special compensation, and benefits for employees
 - Other various relevant documents

- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.

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- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the Agency's governing body in accordance with requirements of applicable public meetings laws.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when unlawful employment occurs.
- ✓ Reviewed the Agency's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The Agency provided an attachment to the response that was intentionally omitted from this appendix. Additionally, the names of individuals mentioned in the Agency's response were intentionally omitted from this appendix.



May 6, 2016

CalPERS ID: 5489202153

Job Number: P14-016

Beliz Chappuie, Chief
Office of Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229

RE: Response to Compliance Audit

Dear Ms. Chappuie:

We acknowledge receipt of the CalPERS compliance review report regarding our contract with CalPERS on April 26, 2016 and appreciate the extension that was provided for our written response from April 22, 2016 to May 10, 2016.

██████████, the original lead for Associated Students, Inc. (ASI), during the CalPERS audit from July to September, 2014 left our organization in October, 2015 so the responses provided below were prepared based on our files, with the assistance of ██████████, Acting HR Manager, and ██████████, Director of Financial Services.

1. Recommendation:

The Agency should ensure pay rate and earnings are reported correctly.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Management Response:

We concur. As an employer, we understand the importance of reporting correct pay rates and earnings to ensure the accuracy of employees' retirement calculation. We were made aware of the inconsistencies during the audit, and since then have conducted an internal review of all CalPERS eligible employees' pay rates and earnings from 2013 to 2015. As a result, a file has been re-constructed based on actual pay rates and earnings from the payroll register. In addition, retroactive pay and earnings have been re-allocated to the correct pay periods based on when they were earned rather than when they were paid.

ASI will work with CalPERS EAMD to identify and make changes, if necessary, to any impacted active and retired members. After we finish re-constructing the file for 2013, 2014 and 2015, corrected pay rates and earnings will be uploaded to the employees' CalPERS account records. Once the upload is complete, we will coordinate with CalPERS to perform a mass deletion of the earnings data for the same period that is currently on file with CalPERS and replace the data with the updated information.

ASI employees performing the CalPERS data entry for each pay period have been trained to perform internal reconciliations to verify the accuracy of data. The review and approval from the designated supervisor/s is also required. The standard operating procedures for ASI Payroll Reporting to CalPERS is attached.

2. **Recommendation:**

The Agency should ensure condition for payment of Temporary Upgrade Pay is included in a written labor policy or agreement.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Management Response:

We concur. ASI will revise its personnel policy to include Temporary Upgrade Pay and identify the amount of payment.

ASI will work with EAMD to identify and make adjustments relating to Temporary Upgrade Pay for any impacted active and retired member accounts, as necessary.

3. **Recommendation:**

The Agency should ensure the correct amount of unused sick leave is reported to CalPERS.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

Management Response:

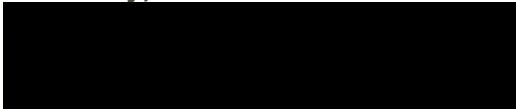
We concur. Whether employees need to take the time off or convert their accrued sick time to service credits upon retirement, it is always our priority as an employer to accurately account for employees' accrued sick time. We will work with EAMD to make the necessary corrections on the two employees.

In addition, we will also conduct a full review and reconciliation of sick leave balances for all employees who separated since 2013 to ensure that hours earned, used, and carried forward are accurately captured. If necessary, we will work with EAMD on any adjustments following the review.

A two-step review process will be maintained wherein the data entered by designated staff is reviewed and approved by the supervisor to ensure accuracy. On a monthly basis, sick leave accruals will be reviewed by the supervisor to ensure that the accruals are reflecting correctly in the system.

We appreciate the assistance of Zach Barlow and Jose Mendez in responding to our questions regarding the draft report.

Sincerely,



Original signed by Cora M. Culla

CORA M. CULLA
ASI Executive Director

Enclosure

COPY: Dr. Benjamin Quillian, Acting Vice President and CFO for Administrative Affairs
Kathleen Street, Acting Vice President for Student Affairs
Joice Xiong, Director of Audit
Julian Herrera, ASI President
Carol Lee, ASI Director of Financial Services
Danielle Sanders, ASI Acting Manager for Human Resources