

Office of Audit Services



Public Agency Review

Cal Poly Pomona Foundation, Inc.

**CalPERS ID: 5028282395
Job Number: SP15-025**

February 2016



California Public Employees' Retirement System
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February 29, 2016

CalPERS ID: 5028282395
Job Number: SP15-025

Dennis Miller, Chief Employment Officer
Cal Poly Pomona Foundation, Inc.
3801 W Temple Ave. Bldg. #55
Pomona, CA 91768

Dear Mr. Miller:

Enclosed is our final report on the results of the public agency review completed for the Cal Poly Pomona Foundation, 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, Cal Poly Pomona Foundation, Inc.
G. Paul Storey, Executive Director, Cal Poly Pomona Foundation, Inc.
David Prenovost, Chief Financial Officer, Cal Poly Pomona Foundation, Inc.
Joice Xiong, Director of University Auditing, Cal Poly Pomona Foundation, 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

CAL POLY POMONA FOUNDATION, INC.

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CAL POLY POMONA FOUNDATION, INC.

RESULTS IN BRIEF

The objective of our review was to determine whether the Cal Poly Pomona Foundation, Inc. (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), 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 three of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Payrates were incorrectly reported.
- Retroactive salary adjustments were incorrectly reported.
- Member reciprocal self-certification was not maintained.
- Observation: Agency records did not agree with my|CalPERS information.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, 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 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 CalPERS' Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with

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membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

The Agency's pay schedule in effect during Fiscal Year 2013-14 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule did not list the position title and payrate for the Assistant Property Manager and Information Technology Specialist Grade 8 positions.

Only compensation earnable as defined under Government Code Section 20636 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636(b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

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Recommendation:

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

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, § 20636
CCR: § 570.5

CAL POLY POMONA FOUNDATION, INC.

2: The Agency did not report special compensation as required by the CCR.

Condition:

- A. The Agency did not report the monetary value for the rental and maintenance of uniforms as special compensation for employees who are enrolled as classic members. Specifically, the Agency provided uniforms to dining service employees, but did not report the monetary value for the rental and maintenance of required clothing. Government Code Section 20636 and CCR Section 571 requires that the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation for classic employees.
- B. The Agency incorrectly reported Holiday Pay in regular earnings for a dining service employee. The employee worked six hours on July 4, 2013, a state holiday, and the Agency incorrectly reported the hours worked on that day, Holiday Pay, as regular earnings. Government Code Section 20636(c)(6) and CCR Section 571(a)(5) identifies Holiday Pay as a statutory item reportable to CalPERS as special compensation. Because dining service employees work in positions that require scheduled staffing without regard to holidays, the Agency should have reported Holiday Pay separately as special compensation rather than regular earnings.
- C. The Agency's written labor policy containing the provision for uniforms and Holiday Pay did not meet all of the requirements of CCR 571(b)(1)(B). Specifically, the policy was not approved by the Agency's governing body and did not indicate the conditions for payment of the uniforms, including, but not limited to, eligibility for, and amount of, the special compensation.
- D. The Agency incorrectly reported Missed Meal Taxable Penalty, a non-reportable item, as Temporary Upgrade Pay. Specifically, the Assistant Manager CBA Pony Express received Missed Meal Taxable Penalty of \$16.00 in the pay period ended May 10, 2014. The Agency stated Missed Meal Taxable Penalty was considered Temporary Upgrade Pay. However, Missed Meal Taxable Penalty was not contained in a written labor policy or agreement, and it did not meet the definition of Temporary Upgrade Pay or any other items of special compensation defined in CCR Section 571 (b). Therefore, Missed Meal Taxable Penalty is not reportable and should not have been reported as special compensation.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor

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policy or agreement indicating the eligibility for and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification.

Recommendation:

The Agency should report the monetary value for the purchase, rental, and/or maintenance of required clothing as special compensation for classic employees.

The Agency should ensure that Holiday Pay is reported as special compensation.

The Agency should ensure the conditions for payment of uniforms and Holiday Pay are contained in a written labor policy or agreement.

The Agency should only report items that qualify as special compensation in accordance with the Government Code and CCR.

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, § 20630, § 20636
CCR: § 571

CAL POLY POMONA FOUNDATION, INC.

3: The Agency incorrectly reported payrates.

Condition:

- A. The Agency incorrectly reported the payrate for an Assistant Property Manager in the pay period ended March 29, 2014. The employee was an eighty percent part-time employee with an authorized salary of \$26.00 per hour. The Agency's payroll system incorrectly reported a payrate of \$20.80 which was 80 percent of the authorized salary. The Agency should have reported an hourly payrate of \$26.00.
- B. The Agency incorrectly reported a payrate for the Assistant Manager CBA Pony Express in the pay period ended May 10, 2014. Specifically, the Agency reported an hourly payrate of \$16.00. However, the Agency's publicly available pay schedule lists the minimum payrate for the Assistant Manager CBA Pony Express position as \$33,862.00 annually which equates to \$16.27 per hour. CCR Section 570.5(a) limits payrate to the amount listed on a pay schedule that meets all the requirements.

Recommendation:

The Agency should ensure the correct payrates are reported.

The Agency should ensure payrates are reported in accordance with the Agency's publicly available pay schedule.

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: § 570.5

CAL POLY POMONA FOUNDATION, INC.

4: The Agency incorrectly reported retroactive salary adjustments.

Condition:

The Agency incorrectly reported retroactive salary adjustments as a lump sum amount and as special compensation. Specifically, the Information Technology Specialist Grade 8 received a retroactive salary increase covering the period of March 30, 2014 through April 26, 2014. However, the Agency incorrectly reported the retroactive salary adjustment as a lump sum amount of \$548.72 and as Temporary Upgrade Pay in the pay period ended May 10, 2014. The compensation was for a retroactive pay increase and not for special compensation. Therefore, it should have been reported to CalPERS as a retroactive salary adjustment in the pay periods earned. For retroactive pay increases, the Agency should provide the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

Recommendation:

The Agency should ensure that retroactive adjustments are correctly reported.

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: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: § 571

CAL POLY POMONA FOUNDATION, INC.

5: The Agency did not maintain the required member reciprocal self-certification.

Condition:

The Agency did not maintain the required member reciprocal self-certification for employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individual.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains the information provided.

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, § 7522.02, §7522.04
CCR: § 579.3

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Observation: The Agency's records did not agree with CalPERS information.

OAS reviewed active member census data used to calculate pension liability for the financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified discrepancies between the Agency's records and my|CalPERS database. Specifically, the Agency's personnel records listed two employees with different names than what was listed in my|CalPERS records. In addition, OAS identified 12 employees who had hire dates that were different from the hire dates in my|CalPERS. Further, OAS identified 21 individuals who were separated, retired, or never employed by the Agency; however, they had active appointments in my|CalPERS. The Agency should work with the appropriate CalPERS division to make any corrections, if necessary.

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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
Chris Wall, Senior Manager, MBA
Patrick McCasland, Lead Auditor
Christopher Lee, Auditor

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APPENDIX A

OBJECTIVES

CAL POLY POMONA FOUNDATION, INC.

OBJECTIVES

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

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting and enrollment procedures prescribed in 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."

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
 - Documents related to employee payrate, special compensation, and benefits
 - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ 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.

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- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

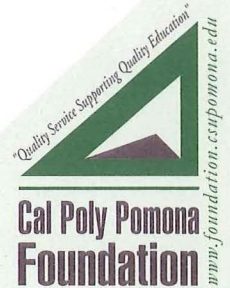
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APPENDIX B

AGENCY'S WRITTEN RESPONSE

February 17, 2016

Ms. Beliz Chappuie, Chief of Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229-2701



Re: Compliance Review for Cal Poly Pomona Foundation, Inc., Member 5028282395

Dear Ms. Chappuie:

We have received the draft report of the compliance review pertaining to our organization, Cal Poly Pomona Foundation, Inc., Member ID 5028282395. The following information is our response to that draft report.

1. The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

Agency's pay schedule in effect during Fiscal Year 2013-14 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule did not list the position title and pay rate for the Assistant Property Manager and Information Technology Specialist Grade 8 positions.

Response:

We concur. We have updated the pay schedule and will submit it for approval to our governing body at its next regularly scheduled meeting on May 19, 2016.

2. The Agency did not report special compensation as required by the CCR.

Conditions:

- A. Agency did not report the monetary value for the rental and maintenance of uniforms as "special compensation" for employees who are enrolled as classic members. Specifically, the Agency provided uniforms to dining service employees, but did not report the monetary value for the rental and maintenance of required clothing. Government Code Section 20636 and CCR Section 571 requires that the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation for classic employees.

Response:

We concur. We will submit our policy to our governing body for review and approval at its next scheduled meeting on May 19, 2016, which will include the eligibility criteria and monetary value for uniform rental. Once approved by our governing body, we will begin to report the monetary value as special compensation for classic members. We expect this to be reported on our first pay cycle after May 19, 2016.

- B. Agency incorrectly reported Holiday Pay in regular earnings for a dining service employee. The employee worked six hours on July 4, 2013, a state holiday, and the Agency incorrectly reported the hours worked on that day, Holiday Pay, as regular earnings. Government Code Section 20636(c)(6) and CCR Section 571(a)(5) identifies Holiday Pay as a statutory item reportable to CalPERS as special compensation. Because dining service employee's work in positions that require scheduled staffing without regard to holidays, the Agency should have reported Holiday Pay separately as special compensation rather than regular earnings.

Response:

We concur. We have changed the reporting of Holiday Pay for this employee in MyCalPERS to comply with GC 20636(c)(6). Further, within the next 45 days we will conduct a search of our records to ensure other employees have holiday pay reported appropriately. Finally, we have initiated a system revision to help ensure incorrect reporting of holiday pay will not recur.

- C. Agency's written labor policy containing the provision for uniforms and Holiday Pay did not meet all of the requirements of CCR 571(b)(1)(B). Specifically, the policy was not approved by the Agency's governing body and did not indicate the conditions for payment of the uniforms, including, but not limited to, eligibility for, and amount of, the special compensation.

Response:

We concur. We have updated the section in our policy (the Employee Handbook) covering the uniform policy to include eligibility and amount of special compensation. The Employee Handbook, which also includes the policy for Holiday Pay, will be submitted for approval to our governing body at its next regularly scheduled meeting on May 19, 2016.

- D. Agency incorrectly reported Missed Meal Taxable Penalty, a non-reportable item, as Temporary Upgrade Pay. Specifically, the Assistant Manager CBA Pony Express received Missed Meal Taxable Penalty of \$16.00 in the pay period ended May 10, 2014. The Agency stated Missed Meal Taxable Penalty was considered Temporary Upgrade Pay. However, Missed Meal Taxable Penalty was not contained in a written labor policy or agreement, and it did not meet the definition of Temporary Upgrade Pay or any other items of special compensation defined in CCR Section 571 (b). Therefore, Missed Meal Taxable Penalty is not reportable and should not have been reported as special compensation.

Response:

We concur. We have corrected the reporting of the Missed Meal Penalty for this employee in MyCalPERS to comply with CCR Section 571(b). Within the next 45 days we will conduct a search of our records to ensure Missed Meal Penalties are not reported for any other employee and make corrections to employee records if applicable. Finally, we have initiated a system revision to help ensure this issue does not recur.

3. Agency incorrectly reported pay rates.

Conditions:

- A. Agency incorrectly reported the pay rate for an Assistant Property Manager in the pay period ended March 29, 2014. The employee was an eighty percent part-time employee with an authorized salary of \$26.00 per hour. The Agency's payroll system incorrectly reported a pay rate of \$20.80 which was 80 percent of the authorized salary. The Agency should have reported an hourly pay rate of \$26.00.

Response:

We concur. We have corrected the reporting of the compensation and time base in My CalPERS for this employee. Within the next 45 days we will conduct a search of our records to determine if any other employee has experienced a similar issue and make corrections to employee records if applicable. Finally, we have revised our system procedures to help ensure this type of issue does not recur.

- B. Agency incorrectly reported a pay rate for the Assistant Manager CBA Pony Express in the pay period ending May 10, 2014. Specifically, the Agency reported an hourly pay rate of \$16.00. However, the Agency's publicly available pay schedule lists the minimum pay rate for the Assistant Manager CBA Pony Express position as \$33,862.00 annually which equates to \$16.27 per hour. CCR Section 570.5(a) limits pay rate to the amount listed on a pay schedule that meets all the requirements.

Response:

We concur. We have corrected the reporting for this employee of this compensation in My CalPERS to comply with CCR Section 570.5(a). We have completed a search of our records and have confirmed no other employee has experienced this situation. We have revised our system procedures to ensure this type of situation does not recur.

4. The Agency incorrectly reported retroactive salary adjustments.

Condition:

Agency incorrectly reported retroactive salary adjustments as a lump sum amount and as special compensation. Specifically, the Information Technology Specialist Grade 8 received a retroactive salary increase covering the period of March 30, 2014, through April 26, 2014. However, the Agency incorrectly reported the retroactive salary adjustment as a lump sum amount of \$548.72 and as Temporary Upgrade Pay in the pay period ending May 10, 2014. The compensation was for a retroactive pay increase and not for special compensation. Therefore, it should have been reported to CalPERS as a retroactive salary adjustment in the pay periods earned. For retroactive pay increases, the Agency should provide the inclusive dates of the increase as well as the new pay rate, total earnings, and contributions for the period of the increase.

Response:

We concur. We have corrected the reporting for this employee in My CalPERS. Within the next 45 days we will conduct a search of our records to determine if any other employee has experienced a

similar issue with retroactive salary and make corrections to employee records, if applicable. Finally, we have revised our system procedures to ensure this type of issue does not recur.

5: Agency did not maintain the required member reciprocal self-certification.

Condition:

Agency did not maintain the required member reciprocal self-certification for employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individual.

Response:

We concur. We have included the self-certification form in the process used for new hires, and have initiated an internal project to obtain the self-certification form pertaining to those new employees who are still active employees and were hired on or after January 1, 2013.

CalPERS reported a list of observations related to instances of hire dates that differed between the MyCalPERS database and our human capital management database. The same is true for termination dates where MyCalPERS had a termination date stating one date whereas our system showed a later date.

The basis for different hire dates are related to the manner in which we hire and often times promote student workers. Specifically, we hire many student workers and per our contract with CalPERS, student workers are excluded from CalPERS membership. However, at some point after a student worker graduates from college, usually after several years as a student worker, they may be offered and ultimately fill a full time regular position which triggers membership in CalPERS at that time. We then report the new member to CalPERS with an effective date of membership as the same date they began to fill a full time regular position. Going forward, we will revise our system to show hire dates specific to CalPERS membership, which should help clarify when an employee became a CalPERS member.

Our understanding of PERL and our contract suggests this process is appropriate and acceptable.

Regarding the basis for having different termination dates between the systems - we use our human capital management system to achieve many different outcomes, and one example is where we keep an employee active in the system to allow for COBRA administration, thereby giving the appearance to the unaware that the employee is still an active employee (in HR and not payroll) when in fact, their active employment has ended for all other purposes. We will examine our system to find a way to alter this approach to ensure future reports show similar termination dates for CalPERS members between our two systems, which will clarify those members who are active employees and those which are terminated from employment.

All other data items in question were corrected in MyCalPERS.

Sincerely,



Original signed by Dennis Miller

Dennis Miller
Chief Employment Officer
Cal Poly Pomona Foundation, Inc.
909-869-2958

Copy:
G. Paul Storey, Executive Director
David Prenovost, Chief Financial Officer
Joice Xiong, Director of University Auditing