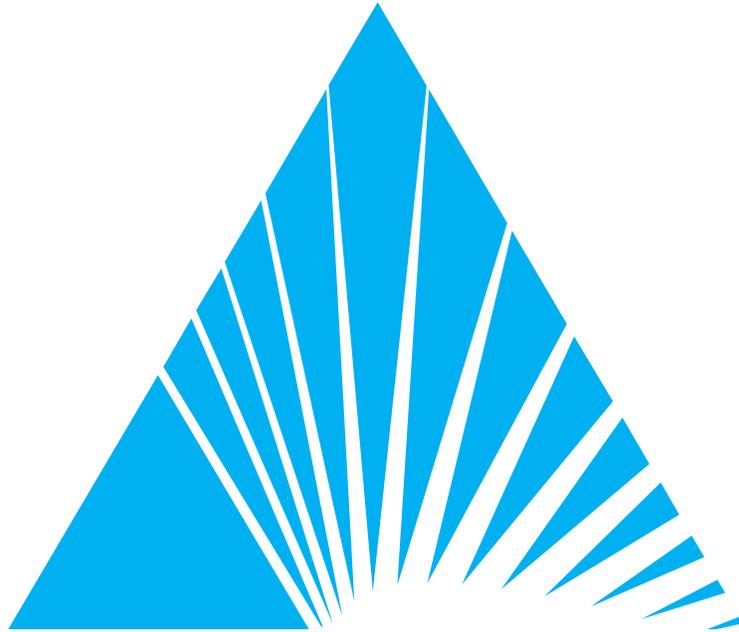


Office of Audit Services



CalPERS

Public Agency Review

Central Valley Regional Center Inc

**Employer Code: 1769
CalPERS ID: 5271394619
Job Number: P13-030**

August 2014



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
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August 29, 2014

Employer Code: 1769
CalPERS ID: 5271394619
Job Number: P13-030

Angie Pulido, HR Manager
Central Valley Regional Center Inc.
4615 N. Marty Avenue
Fresno, CA 93722

Dear Ms. Pulido:

Enclosed is our final report on the results of the public agency review completed for the Central Valley Regional Center 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 and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Phyllis Miller
PHYLLIS MILLER, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Central Valley Regional Center Inc.
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

CENTRAL VALLEY REGIONAL CENTER INC.

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CENTRAL VALLEY REGIONAL CENTER INC.

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Central Valley Regional Center Inc. (Agency) complied with applicable sections of the California 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.

- Pay schedule did not meet all of the requirements of CCR Section 570.5(a).
- Retired annuitant was unlawfully employed.
- Unused sick leave balance was incorrectly reported.

OAS recommends the Agency comply with applicable sections of the California 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 June 1, 2000 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 for fiscal year 2013-14, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from July 1, 2010 to June 30, 2013. The on-site fieldwork for this review was conducted from May 6-9, 2014. The review objectives and a summary of the procedures performed are listed in Appendix A.

CENTRAL VALLEY REGIONAL CENTER INC.

OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency did not have a publicly available pay schedule that met the requirements of CCR Section 570.5. Specifically, the Agency's pay schedule was not duly approved and adopted by the Agency's governing body. 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 the purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. According to CCR Section 570.5, a pay schedule must, among other things:

- 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.
- Not reference another document in lieu of disclosing the payrate.

Recommendation:

The Agency should ensure its pay schedules meet all the CCR requirements.

The Agency should work with CalPERS Customer Account Services Division (CASD) to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636(a), § 20636(b)(1), § 20636(d)
CCR: § 570.5

CENTRAL VALLEY REGIONAL CENTER INC.

2: The Agency unlawfully employed a retired annuitant.

Condition:

The Agency did not reinstate retired annuitants who exceeded the 960-hour threshold in fiscal year 2012-13. Specifically, one retired annuitant worked 1,030 hours by pay period ending June 7, 2013 and the other retiree worked 1,025 hours in the pay period ending May 30, 2013. Government Code Section 21224 limits the number of hours a retired person works to no more than 960 hours each fiscal year.

Government Code Section 21220 addresses the conditions and consequences of unlawful employment of a person who has been retired under this system. The Government Code states that any retired member employed in violation of this article shall:

- (1) Reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law;
- (2) Pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment plus interest thereon;
- (3) Contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

The Government Code also states that any public employer that employs a retired member in violation of this article shall:

- (1) Pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period(s) of time that the member is employed in violation of this article, plus interest thereon;
- (2) Contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

Recommendation:

The Agency should monitor the hours worked by retired annuitants in order to ensure the Agency complies with applicable Government Codes.

OAS recommends the Agency work with CalPERS Benefits Services Division (BNSD) to determine the appropriate course of action.

Criteria:

Government Codes: § 20160, § 21220, § 21224

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3: The Agency reported incorrect unused sick leave balance.

Condition:

The Agency reported an incorrect number of sick leave days for one retiree. Specifically, the retiring member cashed out 50 percent of unused sick leave which left a balance of 60 days. However, the Agency incorrectly reported the retiree's sick leave balance as 120 days. As a result, the retiring member's unused sick leave balance was overstated by 60 days. 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 for retiring members is reported to CalPERS.

The Agency should work with CASD to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix A. OAS limited the test of transactions to employee samples selected from the Agency's payroll records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code 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, California Code of Regulations.

Respectfully submitted,

Original signed by Phyllis Miller

PHYLLIS MILLER, CPA, CIA

Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Manager
Michael Obad, Auditor

CENTRAL VALLEY REGIONAL CENTER INC.

APPENDIX A

OBJECTIVES

CENTRAL VALLEY REGIONAL CENTER INC.

OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the Agency complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the CCR.
- Whether prescribed reporting and enrollment procedures as they relate to the Agency's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2010 to June 30, 2013. 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.

SUMMARY

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 hours worked records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Other documents used to specify payrate, special compensation, and benefits for employees
 - Various other documents as necessary
- ✓ 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 meeting laws.

CENTRAL VALLEY REGIONAL CENTER INC.

- ✓ 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 960 hours were worked in a fiscal year.
- ✓ 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 entities to determine if the Agency shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the Agency or by the affiliated entity.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

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APPENDIX B

AGENCY RESPONSE

CENTRAL VALLEY REGIONAL CENTER INC.

Main Office: 4615 N. Marty • Fresno, California 93722-7818
Phone: (559) 276-4300 , Fax (559) 276-4360 - TDD (559)276-4441

July 14, 2014



Margaret Junker, Chief
Office of Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229-2701

Employer Code: 1769
CalPERS ID: 5271394619
Job Number: P13-030

Dear Ms. Junker,

Please accept this response to the draft report of our agency's CalPERS retirement plan audit. CalPER's listed three findings.

Finding #1 - The Agency's pay schedule did not meet all the requirements of the CCR.

Response: The specific requirement noted for deficiency was: The payroll schedule be duly approved and adopted by the employer's governing body in accordance with requirement of applicable public meetings laws.

The agency pay schedule is posted for public review and meets CCR requirements absent the above deficiency. Current agency by-laws authorize the agency Executive Director to approve the agency pay schedule. Cost-of-living increases are approved by the agency Board of Directors.

The agency is prepared to revise by-laws to be in accordance with salary schedule requirements of CCR section 570.5 to correct noted deficiency.

Finding #2 - The Agency unlawfully employed a retired annuitant.

Response: The agency used the CalPERS pay period reporting hours for the fiscal year in tracking annuitant hours. The audit revealed that the annuitant hours should be tracked using the actual fiscal year. Hours will now be manually tracked specifically from July 1 through June 30. Since the agency payroll is biweekly based, the hours were exceeded in error due to payroll days overlapping from and into a different fiscal year and were a de minimus amount.

This is not likely to reoccur as CalPERS now has a process in place for reporting, tracking and notification of annuitant worked hours.

Finding #3 – The agency reported incorrect unused sick leave balance.

Response: An employee submitted retirement documents several months in advance of their retirement date with 120 unused sick leave days for additional service credit. At actual retirement date, due to lapse of time, the agency paid out ½ of the 120 sick leave days which was in error.

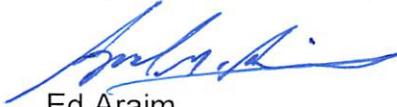
The Agency did not receive the notice normally received from CalPERS which identifies the employee retirement date and unused sick leave amount and asks for notification if the information contained in the letter is not correct. This would have been the opportunity for correction.

This type of situation is not likely to be repeated as CalPERS has changed reporting of unused sick from several months before to on-line reporting at the time of actual retirement.

This agency would like to note, this being the first audit after 13 years of participation in the CalPERS retirement plan, the findings are minimal and appear to occur commonly.

Additionally, CalPERS has set processes in place to avoid error and assist employers and annuitants in meeting plan requirements and guidelines.

Respectfully submitted,



Ed Araim
Director of Administrative Services

EA/ap

cc: Michael Obad, Auditor
Anthony Suine, Chief, BNSD
Renee Ostrander, Assistant Chief, CASD