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February 29, 2012

Employer Code: 0981  
Job Number: P10-042

City of Palmdale  
Nancy Quelland, Deputy City Manager  
38300 Sierra Highway  
Palmdale, CA 93550

Dear Ms. Quelland:

Enclosed is our final report on the results of the public agency review completed for the City of Palmdale. Your agency's written response, included as an appendix to the report, indicates agreement with the issues noted in the report with the exception of Finding 4. Based on your response and further review of this issue, we modified Finding 4 to read as, "The City under-reported the payrate for one sampled employee." Although the City retroactively reported the employee's increased "earnings" back to July 1, 2010, the City continued to report the lower "payrate" and did not report the increase to the employee's payrate until December 2010. We added language to the final report to clarify this issue. 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 Margaret Junker  
MARGARET JUNKER, Chief  
Office of Audit Services

Enclosure

cc: Risk and Audit Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Karen DeFrank, Chief, CASD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Honorable Council Members, City of Palmdale  
Garrett Rickert, Human Resources Analyst, City of Palmdale  
Karen Johnston, Budget Officer, City of Palmdale  
Patricia M. Nevarez, Principal Human Resources Analyst, City of Palmdale  
Betsy St. John, Director of Finance, City of Palmdale

# **Office of Audit Services**



## **Public Agency Review**

### **City of Palmdale**

**Employer Code: 0981  
Job Number: P10-042**

**February 2012**

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# CITY OF PALMDALE

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# CITY OF PALMDALE

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## RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the City of Palmdale's (City) enrolled individuals, member compensation, required retirement documentation and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page 3 of this report. Specifically, the following findings were noted during the review:

- Uniform allowance was not reported
- Monetary value for the purchase, rental and/or maintenance of required clothing was not reported
- Value of Employer-Paid Member Contributions (EPMC) was incorrectly paid and reported
- Publicly available pay schedules not provided for two employees
- Payrate was under-reported
- Optional membership was not offered to elected/appointed officials
- Temporary/part-time employees were not enrolled in CalPERS membership
- Retired annuitant was not reinstated

The pertinent sections of the Government Code and California Code of Regulations for each finding are described in greater detail in Appendix C.

## CITY BACKGROUND

The City of Palmdale was incorporated on August 24, 1962, and became a charter city in November 2009. The City is located 60 miles north of Los Angeles and is one of the fastest growing cities in Los Angeles County. The City operates under the council/manager form of government. The City provides the following municipal services: building services; economic development; engineering; finance; library; parks, recreation, and cultural; human resources; planning and zoning; public safety; and public works. Rules and Regulations and employment agreements outline all City employees' salaries and benefits and state the terms of employment agreed upon between the City and its employees.

The City contracted with CalPERS effective March 1, 1974, to provide retirement benefits for local miscellaneous employees. The City's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups.

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# CITY OF PALMDALE

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## SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the City's payroll reporting and member enrollment processes as these processes relate to the City's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from April 1, 2008, through March 31, 2011. The on-site fieldwork for this review was conducted on June 6, 2011, through June 9, 2011. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

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# CITY OF PALMDALE

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**Finding 1:** The City did not report uniform allowance and the monetary value for the purchase, rental and/or maintenance of required clothing to CalPERS as earnable compensation.

### ***Recommendations:***

The City should ensure uniform allowances are reported for all employees that are required to wear a uniform.

The City should ensure that the monetary value for the purchase, rental and/or maintenance of required clothing is reported to CalPERS.

The City should work with CalPERS CASD to assess the impact of and to correct this non-reporting issue.

### ***Conditions:***

The City paid a uniform allowance of \$350 annually to Community Service Officers and \$200 annually to Code Enforcement Officers. The City did not have labor agreements; however, the uniform allowance was captured through written memorandums. OAS obtained documentation to support the payment of uniform allowance for two Community Service Officers and six Code Enforcement Officers. OAS traced the uniform allowance payments and identified that the City did not report uniform allowances to CalPERS. The uniform allowances should have been reported as special compensation.

Additionally, the City provides required clothing and maintenance of required clothing for certain employees, such as facilities and transportation employees. OAS obtained copies of invoices for the purchase, rental and maintenance of the clothing provided to various employees. The City did not report the monetary value of the required clothing to CalPERS as special compensation, as required.

### ***Criteria:***

Government Code: § 20636(c)(1), § 20636(c)(2), § 20636(c)(6)

California Code of Regulations: § 571(a)(5)

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# CITY OF PALMDALE

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**Finding 2:** The City over-paid EPMC and over-reported the value of EPMC.

***Recommendations:***

The City should pay and report the correct amounts of EPMC.

The City should work with CalPERS CASD to assess the impact of this EPMC issue and determine what adjustments are needed.

***Condition:***

The City had a resolution on file with CalPERS, effective July 1, 2002, to pay and report the value of EPMC at 8 percent for miscellaneous employees. The City adopted a new resolution, effective July 5, 2010, which modified the value of EPMC to 4 percent for miscellaneous employees. At the same time, the City adopted a resolution which modified the City's Rules and Regulations and amended the EPMC rate from 8 percent to 4 percent, effective July 5, 2010. Therefore, the EPMC and value of EPMC were to be paid and reported at 4 percent for the City's employees.

OAS identified two employees in the 3/11-4 sampled service period for whom the City paid 8 percent EPMC and reported the value of EPMC at 8 percent instead of the new modified rate of 4 percent. The result was an overpayment of EPMC by the City, and an over-reporting of special compensation for the value of EPMC, both by 4 percent, for two employees.

***Criteria:***

Government Code: § 20636(c)(4), § 20691

California Code of Regulations: § 571(a)(1)

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# CITY OF PALMDALE

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**Finding 3:** The City did not have publicly available pay schedules for two sampled employees' positions.

***Recommendations:***

The City should list all employee payrates on a pay schedule and disclose the information pursuant to publicly available pay schedules.

The City should work with CalPERS CASD to determine the impact of this nondisclosure and make the necessary adjustments.

***Condition:***

The City Manager and the City Attorney were under individual employee contracts with the City. The salary at time of hire was stated in each of the initial contracts; however, a reconstruction of the salary had to be performed based on amended contracts, merit salary increases and cost of living adjustment (COLA) increases to derive the employees' current salaries. The City Manager's contract entered into on September 19, 2007, established an annual base salary of \$244,304. The City Attorney's contract entered into on December 11, 2002, established an annual base salary of \$168,000. Through the reconstruction, OAS was able to verify that the salaries paid and reported for the City Manager and City Attorney were authorized. In the 3/11-4 service period tested, the City Manager's authorized salary was \$274,034 and the City Attorney's authorized salary was \$239,122.40. However, OAS determined the requirement for a publicly available pay schedule was not met for the City Manager's and City Attorney's salaries. The City appropriately had a pay schedule available in fiscal year 2010/2011 for all other City classifications which specified the position title and payrate for each employee.

***Criteria:***

Government Code: § 20630(a) and (b), § 20636(b)(1), § 20636(d)

California Code of Regulations: § 570.5



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# CITY OF PALMDALE

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**Finding 4:** The City under reported the payrate for one sampled employee.

***Recommendations:***

The City should report correct payrate amounts to CalPERS.

The City should work with CalPERS CASD to determine the impact of this incorrect reporting and make the necessary adjustments.

***Condition:***

Payrate reported to CalPERS is an important factor in computing a member's retirement allowance. OAS reviewed the payrates reported for a sample of 25 employees and identified one employee whose payrate was incorrectly reported to CalPERS. The employee was under an individual employment contract with the City. OAS traced the salary from the employment contract and authorized salary increases to the amounts reported to CalPERS. The employee was entitled to a salary increase in July 2010, which increased his monthly payrate from \$19,753.04 to \$19,926.87 per his employment contract. On September 30, 2010, the City paid and reported the employee's earnings retroactive to July 1, 2010, and continued to report the employee's increased earnings based on the new payrate of \$19,926.87. Although the City correctly reported the *earnings* based on the new payrate, the City continued to report the employee's old *payrate* of \$19,753.04 through November 2010. The City did not report the employee's new monthly payrate of \$19,926.87 until December 2010. Therefore, the employee's payrate was under-reported from July 2010, through November 2010, and again in January 2011.

***Criteria:***

Government Code: § 20630(a) and (b), § 20636(b)(1)

CalPERS Procedure Manual, page 110

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**Finding 5:** The City did not advise its elected officials of their optional membership rights.

***Recommendations:***

The City should offer CalPERS membership to elected officials and enroll the elected officials who elect optional membership.

The City should work with CalPERS CASD to determine the impact of this optional membership issue and make any necessary adjustments.

***Condition:***

Elected and appointed officials are excluded from CalPERS membership unless the official files with CalPERS an election in writing to become a member. The City is required to advise elected and appointed officials of their optional membership rights when the official first becomes eligible. The City was not aware of the requirement. Consequently, the City's officials were not advised of their CalPERS optional membership rights.

***Criteria:***

Government Code: § 20322

CalPERS Procedures Manual, page 46

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# CITY OF PALMDALE

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**Finding 6:** The City erroneously excluded temporary/part-time employees from CalPERS membership.

***Recommendations:***

The City should enroll all eligible employees into CalPERS membership when membership eligibility requirements are met.

The City should work with CalPERS CASD Contracts Unit to update and reconcile the excluded classifications in the City's contract with CalPERS.

The City should work with CalPERS CASD Membership Unit to identify the impact of this membership eligibility issue and make the necessary adjustments.

***Condition:***

OAS reviewed the hours worked by seven temporary/part-time individuals to determine if they met CalPERS membership eligibility requirements and, if so, were timely enrolled in CalPERS membership. The hours worked in fiscal years 2008/2009 and 2009/2010 were reviewed. The results revealed that six of the individuals met eligibility by reaching 1,000 hours worked in a fiscal year, but were never enrolled in CalPERS membership, as required. One individual was working as a Records Clerk, three as Program Leaders, and two as Public Security Officers.

The City was not aware that the Program Leaders or Public Safety Officers were eligible for CalPERS membership. The City's contract with CalPERS excludes specific classifications from membership, including Recreation Leaders and Park Rangers. The City subsequently replaced those classifications with Program Leaders and Public Security Officers, respectively. However, since the classifications changed but the City's contract with CalPERS did not, the contract does not exclude these new classifications from CalPERS membership. Therefore, the City should have enrolled the three Program Leaders and two Public Security Officers mentioned above into CalPERS membership upon reaching 1,000 hours worked in a fiscal year.

***Criteria:***

Government Code: § 20305

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# CITY OF PALMDALE

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**Finding 7:** The City did not reinstate a retired annuitant who exceeded 960 hours worked in a fiscal year.

***Recommendations:***

The City should check for CalPERS membership status upon hiring individuals, including retired annuitants, and monitor hours worked when necessary.

The City should work with CalPERS BNSD to assess the impact of this membership issue and determine what adjustments, if any, are needed.

***Condition:***

A retired annuitant may work up to 960 hours in a fiscal year without reinstatement or loss or interruption of benefits. The City employed a retired annuitant who retired from another public agency in December 2005. OAS reviewed the hours worked and determined the retired annuitant worked 1,496.30 hours in fiscal year 2008/2009, and 1,522.90 hours in fiscal year 2009/2010, exceeding the 960 hour threshold in February 2009 and February 2010 respectively. The City did not reinstate the retired annuitant upon exceeding the 960-hour threshold.

***Criteria:***

Government Code: § 21224

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# CITY OF PALMDALE

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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 B. OAS limited the test of transactions to employee samples selected from the City's payroll and health 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.

Respectfully submitted,

Original Signed by Margaret Junker  
MARGARET JUNKER, CPA, CIA, CIDA  
Chief, Office of Audit Services

Date: February 2012

Staff: Matt Espenshade, CFE, Supervising Manager

Michael Dutil, CIA, Senior Manager

Alan Feblowitz, Manager

Jodi Epperson

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**CITY OF PALMDALE**

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# **APPENDIX A**

## **BACKGROUND**

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# CITY OF PALMDALE

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## BACKGROUND

### California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. CalPERS' Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Health Account Services (HAS) section, as part of the CASD, provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

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**CITY OF PALMDALE**

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# **APPENDIX B**

## **OBJECTIVES**



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# CITY OF PALMDALE

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## OBJECTIVES

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

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

This review covers the period of April 1, 2008, through March 31, 2011.

## SUMMARY

### **Procedures, Sample Sizes, Sample Periods, and Findings**

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the City's personnel and payroll procedures, reviewed documents, and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
  - Provisions of the Contract and contract amendments between the City and CalPERS
  - Correspondence files maintained at CalPERS
  - City Council minutes and City Council resolutions
  - City written labor policies and agreements
  - City salary, wage and benefit agreements including applicable resolutions
  - City personnel records and employee hours worked records
  - City payroll information including Summary Reports and PERS listings
  - Other documents used to specify payrate, special compensation and benefits for all employees
  - City ordinances as necessary
  - Various other documents as necessary
- ✓ Reviewed City payroll records and compared the records to data reported to CalPERS to determine whether the City correctly reported compensation and earnings to CalPERS.

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# CITY OF PALMDALE

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Sample Size and Period: Reviewed 25 employees covering two sampled service periods - the first service period in July 2010 (7/10-3), and the second service period in March 2011 (3/11-4).

**See Finding 1:** Uniform allowance and the monetary value for the purchase, rental and/or maintenance of required clothing were not reported to CalPERS as compensation earnable.

**See Finding 2:** Non-reportable compensation in the form of EPMC was incorrectly reported to CalPERS.

- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to City 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 City's governing body in accordance with requirements of applicable public meeting laws.

Sample Size and Period: Reviewed 25 employees covering two sampled service periods - the first service period in July 2010 (7/10-3), and the second service period in March 2011 (3/11-4).

**See Finding 3:** The City did not have publicly available pay schedules for two employees.

- ✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly: contribution code, pay code, work schedule code, service period, and member contributions.

Sample Size and Period: Reviewed 25 employees covering two sampled service periods - the first service period in July 2010 (7/10-3), and the second service period in March 2011 (3/11-4).

**See Finding 4:** The City incorrectly reported payroll information for one employee whose salary increase was applied in the incorrect month.

- ✓ Reviewed the City's practice for advising elected/appointed officials of their optional membership rights.

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# CITY OF PALMDALE

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**See Finding 5:** The City did not advise elected officials of their optional membership rights.

- ✓ Reviewed the City's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.

Sample Size and Period: Seven temporary/part-time employees in fiscal years 2008/2009 and 2009/2010.

**See Finding 6:** The City did not enroll temporary/part-time employees who qualified to become CalPERS members.

- ✓ Reviewed the City's enrollment practices for retired annuitants to determine if retirees were reinstated when 960 hours were worked in a fiscal year.

Sample Size and Period: One retired annuitant covering the review period.

**See Finding 7:** The City did not reinstate a retired annuitant who exceeded 960 hours worked in a fiscal year.

- ✓ Reviewed the City's enrollment practices pertaining to independent contractors to determine whether the individuals met CalPERS membership requirements.

Sample Size and Period: Seven independent contractors in review period.

## **No Finding**

- ✓ Reviewed the City's enrollment practices pertaining to affiliated parties to determine whether the individuals met CalPERS membership requirements.

## **No Finding**

- ✓ Reviewed the City's calculation and reporting of unused sick leave balances.

Sample Size and Period: Five retiring members covering the review period.

## **No Finding**

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**CITY OF PALMDALE**

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# **APPENDIX C**

## **CRITERIA**

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# CITY OF PALMDALE

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## CRITERIA

Government Code § 20305, subdivision (a), states, in part:

An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless:

(1) He or she is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract.

(2) His or her position requires regular, part-time service for one year or longer for at least an average of 20 hours a week, or requires service that is equivalent to at least an average of 20 hours a week for one year or longer, unless he or she elects membership pursuant to Section 20325.

(3) His or her employment is, in the opinion of the board, on a seasonal, limited-term, on-call, emergency, intermittent, substitute, or other irregular basis, and is compensated and meets one of the following conditions:...

(B) The person completes...1,000 hours within a fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which...1,000 hours of service were completed.

Government Code § 20322, subdivision (a), states:

An elective officer is excluded from membership in this system unless the officer files with the board an election in writing to become a member. Upon electing to become a member, the officer may further elect at any time prior to retirement to receive service credit for his or her prior, excluded service by making the contributions as specified in Sections 21050 and 21051.

Government Code § 20630, subdivision (a), states, in part:

Compensation means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours.

Government Code § 20630, subdivision (b), states, in part:

When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

Government Code § 20636, subdivision (a), defines compensation earnable by a member as, "the payrate and special compensation of the member."

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Government Code § 20636, subdivision (b)(1), states, in part:

Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Government Code § 20636, subdivision (c)(1), states:

Special compensation of a member includes a payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.

Government Code § 20636, subdivision (c)(2), states, in part:

Special compensation shall be limited to that which is received by a member pursuant to a labor policy or agreement or as otherwise required by state or federal law, to similarly situated members of a group or class of employment that is in addition to payrate.

Government Code § 20636, subdivision (c)(4), states:

Special compensation may include the full monetary value of normal contributions paid to the board by the employer, on behalf of the member and pursuant to Section 20691, if the employer's labor policy or agreement specifically provides for the inclusion of the normal contribution payment in compensation earnable.

Government Code § 20636, subdivision (c)(6), states:

The board shall promulgate regulations that delineate more specifically and exclusively what constitutes "special compensation" as used in this section. A uniform allowance, the monetary value of employer-provided uniforms...shall be included as special compensation and appropriately defined in those regulations.

Government Code § 20636, subdivision (d), states:

Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.

Government Code § 20691, states:

Notwithstanding any other provision of law, a contracting agency or school employer may pay all or a portion of the normal contributions required to be paid by a member. Where the member is included in a group or class of employment the payment shall be for all members in the group or class of employment.

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# CITY OF PALMDALE

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Government Code § 21224, subdivision (a), states, in part:

A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by the appointing power of a state agency or public agency employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing work of limited duration. These appointments shall not exceed a total for all employers of 960 hours in any fiscal year.

California Code of Regulations § 570.5, subdivision (a), states:

For purposes of determining the amount of compensation earnable pursuant to Government Code Sections 20630, 20636, and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

- (1) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- (2) Identifies the position title for every employee position
- (3) Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
- (4) Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- (5) Is 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;
- (6) Indicates an effective date and date of any revisions;
- (7) Is retained by the employer and available for public inspection for not less than five years; and
- (8) Does not reference another document in lieu of disclosing the payrate.

California Code of Regulations § 571, subdivision (a)(1) defines the value of EPMC as:

The full monetary value of EPMC paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class. A resolution or ordinance of the governing body must be provided to CalPERS indicating the group or class, effective date, and the percent or amount of EPMC being paid and reported as an item of special compensation. The resolution or ordinance must be formally adopted by the employer's governing body, and submitted to CalPERS for review and approval.

California Code of Regulations § 571, subdivision (a)(5) defines uniform allowance as:

Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially

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# CITY OF PALMDALE

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designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.

## ***CalPERS Procedures Manual***

CalPERS Procedures Manual, page 46, states, in part, “The optional member must be advised of CalPERS rights to membership when first eligible for membership (i.e., upon first taking office) but the election can be made at any time during the qualifying employment – even on the incumbent’s last day in office. You should document in your personnel records the fact that the information was provided to the individual, as well as any direct response received from the individual...You also need to complete the PERS-AESD-59 and enroll through a PERS-AESD-1 or ACES when a current active or inactive member assumes an optional member position and wishes to elect membership for that office.”

The CalPERS Procedure Manual, page 110, section entitled, “Retroactive Salary Adjustment” states, in part, “A single contribution code 05 or 15 may be used to report a retroactive salary adjustment covering previous service periods. The service period should reflect the earliest service period involved in the adjustment. The transaction should have the member’s new pay rate and the total additional earnings and contributions for the period. When more than one payrate is involved in the retroactive adjustment, report a single entry for each new payrate.”



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**CITY OF PALMDALE**

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# **APPENDIX D**

## **CITY'S WRITTEN RESPONSE**



# PALMDALE

*a place to call home*

JAMES C. LEDFORD, JR.  
Mayor

STEVEN D. HOFBAUER  
Mayor Pro Tem

LAURA BETTENCOURT  
Councilmember

MIKE DISPENZA  
Councilmember

TOM LACKEY  
Councilmember

38300 Sierra Highway

Palmdale, CA 93550-4798

Tel: 661/267-5100

Fax: 661/267-5122

TDD: 661/267-5167

*Auxiliary aids provided for*

*communication accessibility*

*upon 72 hours' notice and request.*

January 25, 2012

City of Palmdale  
Employer Code: 0981  
Job Number: P10-042

Margaret Junker, Chief  
Office of Audit Services  
CalPERS  
Lincoln Plaza North  
Room 2252  
400 Q Street  
Sacramento, CA 95811

Dear Ms. Junker:

Thank you for the opportunity to respond to the draft report on your review of the City of Palmdale. Following is the City's response to each finding.

**Finding 1:** The City did not report uniform allowance and the monetary value for the purchase, rental and/or maintenance of required clothing to CalPERS as earnable compensation.

**City's Response:** The City will work with CalPERS CASD to correct this non-reporting issue.

**Finding 2:** The City over-paid EPMC and over-reported the value of EPMC.

**City's Response:**

One of the two affected employees has since retired and is currently a retired annuitant. The City is addressing the discrepancy between the

other employee's Employment Agreement and the City's resolution with CalPERS.

**Finding 3:** The City did not have publicly available pay schedules for two sampled employees' positions.

**City's Response:** The pay rates for all City positions, including the City Manager and City Attorney, are publicly available on the City's website.

The pay rates for City Manager and City Attorney have been added to the City's Classification and Pay Plan.

**Finding 4:** The City incorrectly reported the pay rate for one employee whose salary increase was not applied in the correct month.

**City's Response:** Although the City applied the salary increase after the effective date, a retroactive payment was made to the employee. The employee received the full amount owed to him.

The employee received both the new salary increase and the retroactive payment on September 30, 2010. The City paid and reported the salary increase as well as retroactive payment to CalPERS on October 6, 2010, not December 2010 as stated in the draft report.

**Finding 5:** The City did not advise its elected officials of their optional membership rights.

**City's Response:** As noted in the draft report, the City was not aware of this requirement. It will be offered in the future.

**Finding 6:** The City erroneously excluded temporary/part-time employees from CalPERS membership.

**City's Response:** At the time the audit was conducted, "Park Rangers" and "Recreation Leaders" were excluded from the CalPERS contract. However, the City had changed the job titles from "Park Rangers" to "Public Security Officer" and "Recreation Leaders" to "Program Leaders."

Earlier this month at the January 4, 2012 City Council meeting, an Ordinance was approved amending the CalPERS contract. Specifically, the classification exclusion list was updated.

**Park Ranger**

The classification exclusion list in the CalPERS contract was updated and "Park Rangers" were changed to "Public Security Officer." As an excluded

classification, the employees listed in the draft report may work over 1,000 hours per fiscal year and do not have to be enrolled in CalPERS.

#### Recreation Leaders

The classification exclusion list in the CalPERS contract was updated and "Recreation Leaders" were changed to "Program Leaders."

However the City, and it is important to note CalPERS staff as well, thought "Program Leaders" included Program Leader I, II, III and Senior. Had the City been aware that "Program Leaders" may not include the entire series (I, II, III and Senior), this would have been included in the contract amendment process that began in April 2011 and approved by the City Council earlier this month.

On January 12, 2012 the City submitted a "Request for Determination" to CalPERS stating the City would like to specifically add Program Leader I, II, III and Senior to the exclusion list. Because the request was submitted only a few weeks ago, the City has not received a response from CalPERS.

#### Records Clerk

The Records Clerk inadvertently worked over 1,000 in FY 08/09. Please note she worked under 1,000 hours the subsequent fiscal years (FY 09/10, FY 10/11) and will not work over 1,000 hours during any fiscal year in the future.

**Finding 7:** The City did not reinstate a retired annuitant who exceeded 960 hours worked in a fiscal year.

**City's Response:** The City was not aware the employee was a retired annuitant. The City resolved this issue by working with Alinda Heringer at CalPERS.

At Ms. Heringer's request, a memo was sent to her on October 20, 2011 stating that the employee's supervisor and myself met with the employee and explained to him as a retired annuitant, he cannot work in excess of 960 hours in a fiscal year.

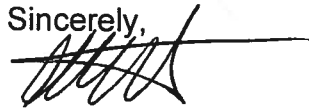
The memo also stated the City will track this employee's hours to ensure he does not exceed the 960 hour limit.

With the new my/CalPERS computer system, the City will be able to track retired annuitants when they are hired. Please note the City has checked all employees hired since my/CalPERS went into effect to determine whether or not they are a retired annuitant.

In addition, all known retired annuitants (approximately fifteen) working at the City have been entered into the my/CalPERS system. The City continues to work with CalPERS since it is currently unable to report the hours worked by retired annuitants in the new system.

Thank you for the opportunity to respond to the draft report. If you have any questions, please contact me at (661) 267-5400.

Sincerely,



Garrett Rickert  
Human Resources Analyst

