

# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

### **City of Vallejo**

**CalPERS ID: 7921927105**  
**Job Number: BI15-021**

**February 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](http://www.calpers.ca.gov)

February 29, 2016

CalPERS ID: 7921927105  
Job Number: BI15-021

Ron Millard, Finance Director  
City of Vallejo  
P.O. Box 3068  
Vallejo, CA 94590-5934

Dear Mr. Millard:

Enclosed is our final report on the results of the public agency review completed for the City of Vallejo (Agency). Your written response, included as an appendix to the report, indicates agreement with the issue 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: City Council Members, City of Vallejo  
Janet Thiessen, Interim Human Resources Director, City of Vallejo  
Florita Cruz, Accounting Manager, City of Vallejo  
Chari Barrera, Accounting Technician, City of Vallejo  
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

---

# CITY OF VALLEJO

---

## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results .....	2
1: Scheduled Work Hours .....	2
Conclusion .....	4
Objectives .....	Appendix A
Agency’s Written Response.....	Appendix B

---

# CITY OF VALLEJO

---

## RESULTS IN BRIEF

The objective of our review was to determine whether the City of Vallejo (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 finding during the review. Details are noted in the Results section beginning on page two of this report.

- Scheduled work hours were incorrectly reported.

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 January 1, 1964 to provide retirement benefits for local miscellaneous and fire safety 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. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through October 31, 2015. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

---

# CITY OF VALLEJO

---

## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency incorrectly reported scheduled work hours.

***Condition:***

The Agency incorrectly reported the number of scheduled full-time work hours for a fire safety employee. By misreporting the number of scheduled full-time work hours, the employee's monthly retirement allowance could be overstated by as much as 18 percent.

OAS reviewed the Fire Captain's payroll information reported for the Fiscal Year 2013-14. The Agency reported the Fire Captain on an hourly basis and identified scheduled full-time hours as 56.3 per week. However, the Fire Captain's normal full-time work schedule beginning January 25, 2014 was 40 hours per week. The Agency explained it did not change the scheduled work hours when the Fire Captain switched from a 56.3 hour per week to a 40 hour per week work schedule.

If the Fire Captain were to retire after 30 years of service, the monthly retirement could be overstated by as much as 18 percent. The Fire Captain's hourly payrate reported to CalPERS from July 2013 through October 2013 was \$35.46, and then increased to \$39.31 per hour during November 2013 through January 2014. The payrate increased once more to \$60.74 per hour in February 2014. To determine the Fire Captain's estimated one year final compensation, the hourly payrates would be multiplied by 56.3 hours to reach an estimated one year final compensation amount of \$137,467.90. The annual amount would convert to an estimated average of \$11,455.66 per month. However, the Fire Captain worked 40 hours per week beginning January 25, 2014, not 56.3 hours. Using the correct full-time work schedule of 40 hours starting January 25, 2014, the Fire Captain's estimated one year final compensation amount would have been \$116,016.55, or \$9,668.05 per month. The final compensation amount would then be used in determining the Fire Captain's monthly retirement allowance. In the event the Fire Captain retired after June 2014, and had reached 30 years of service, the monthly retirement allowance would have been overstated by approximately \$1,608.85. Therefore, reporting accurate payroll information is essential for calculating correct member benefits at retirement.

---

# CITY OF VALLEJO

---

Reporting an incorrect number of scheduled full-time work hours may cause the following:

- Delays in member retirement processing
- Inaccurate retirement estimates
- Increased work for the Agency and CalPERS to correct inaccurate reporting
- Incorrect payments of benefits
- Hardship to retired members from a reduction in benefits

***Recommendation:***

The Agency should ensure the correct number of scheduled full time work hours are reported for all employees.

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

***Criteria:***

Government Codes: § 20120, § 20121, § 20160, § 20630

---

# CITY OF VALLEJO

---

## 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  
Alicia Watts, Lead Auditor  
Emma Shaw, Auditor  
Michelle O'Connor, CPA, Auditor

---

**CITY OF VALLEJO**

---

# **APPENDIX A**

## **OBJECTIVES**



---

# CITY OF VALLEJO

---

## OBJECTIVES

The objectives of this review were limited to determine whether member information was accurate and the Agency complied with:

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting procedure 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 written labor policies and agreements
  - Agency salary, wage, and benefit agreements including applicable resolutions
  - Agency personnel records and employee time records
  - Agency payroll information
  - CalPERS payroll reports
  - Documents related to employee payrate 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 payroll information reported to CalPERS and reconciled payroll records, personnel records, pay schedules, and written labor policies to determine whether the Agency correctly reported scheduled work hours, whether service credit was accurate, and whether retirement benefits were correct.

---

**CITY OF VALLEJO**

---

# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



OFFICE OF THE FINANCE DIRECTOR · PO BOX 3068 · 555 Santa Clara Street · Vallejo · CA · 94590 · 707.648.4592

February 17, 2016

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

**RE: CITY OF VALLEJO DRAFT REPORT DATED FEBRUARY 9, 2016**  
**CalPERS ID: 7921927105**  
**Job Number: BI15-021**

Dear Ms. Chappuie:

The City of Vallejo is in receipt of the above-referenced report on the compliance review regarding our contract with the California Public Employees' Retirement System. This letter will serve as the City's response to the finding, for your review and inclusion in the final report.

**Finding: The Agency incorrectly reported scheduled work hours.**

**City of Vallejo Response:**

The City of Vallejo agrees with the finding and recommendation.

More specifically, the City agrees with the finding that the number of scheduled full-time work hours for a Fire Safety employee was incorrectly reported and with the recommendation of ensuring that the correct number of scheduled full-time hours are reported for all employees.

The work schedule of the employee was updated in our payroll system from a 56.3-hour per week to a 40-hour per week; however, the change needed to be made in two places and a field in the employee's record was inadvertently overlooked. As a result, the scheduled full-time work hours showed the incorrect information when the retirement work file was created and uploaded in the my|CalPERS system. As per your recommendation, we have contacted the CalPERS Employer Account Management Division and will be working with them in making the necessary adjustments to the employee's record.

We understand the consequences of this oversight and sincerely apologize for the inconvenience it has caused. The City is reviewing and improving the process involved in the accurate reporting of all information to ensure compliance with applicable sections of the California Government Code, PEPRA, California Code of Regulations, the terms of its contract with CalPERS and the Public Employees' Retirement Law.

We appreciate the opportunity to provide a response to the review finding.

Please feel free to contact Chari Barrera by phone at (707) 648-4595 or by email at [chari.barrera@cityofvallejo.net](mailto:chari.barrera@cityofvallejo.net), if you have any further questions or require additional information.

Sincerely,



Original signed by Ron Millard

Ron Millard  
Finance Director

cc: Chari F. Barrera, Accounting Tech  
Janet Thiessen, Interim Human Resources Director  
Florita Cruz, Accounting Manager  
Crystal Tobin, Personnel Analyst II  
Cynthia Legaspi, Personnel Technician  
Crystal Reams, Accountant