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August 8, 2011

Employer Code: 0158
Job Number: P10-016

City of Torrance
Leyta Fuentes, Human Resources Manager
3231 Torrance Blvd
Torrance, CA 90503

Dear Ms. Fuentes:

Enclosed is our final report on the results of the public agency review completed for the City of Torrance. Your agency's written response indicates agreement with the issues noted in the report, with exception to one individual identified in Finding 5 for exceeding the 1,000-hour limit per fiscal year for temporary/part-time employees. This individual was paid on an hourly basis, and not on a per diem basis; therefore, the part-time employee was eligible for CalPERS membership after completing 1,000 hours worked in a fiscal year. The written response is included as an appendix to the report. As part of our resolution process, 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: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Darryl Watson, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Don Martinez, Interim Assistant Chief, HAS, CalPERS
Honorable City Council, City of Torrance
Joyce Reyes, Accounting Manager, City of Torrance

Office of Audit Services



Public Agency Review City of Torrance

Employer Code: 0158
Job Number: P10-016

August 2011

CITY OF TORRANCE

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CITY OF TORRANCE

RESULTS IN BRIEF

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

- Uniform allowance for police personnel was not reported.
- Holiday pay for eligible miscellaneous employees was not reported.
- Special compensation (shooting pay) was reported for an ineligible employee.
- Federal Labor Standards Act (FLSA) premium pay was incorrectly reported.
- Employer Paid Member Contribution (EPMC) was not properly authorized in a written labor agreement for police and police commander bargaining groups.
- Special compensation was reported in base payrate and regular earnings.
- An incorrect work schedule code was reported.
- Eligible temporary/part-time employees were incorrectly excluded from membership.
- Retired annuitant exceeded 960 hours worked in a fiscal year and was not reinstated.
- Supporting health benefits documentation for enrolled dependents was not on file.

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

A confidential list identifying the individuals mentioned in this report has been sent to the City and CalPERS Customer Account Services Division (CASD) and Benefit Services Division (BNSD) as an Appendix to our draft report.

CITY BACKGROUND

The City was incorporated in 1921 and became a charter city in 1947. The City is governed by an elected mayor and six-member council. The City provides a wide range of services including police and fire protection, sanitation and water services, airport and bus transit services, construction and maintenance of streets and infrastructure, and recreational activities. Memoranda of Understanding (MOU), employment agreements and Position and Salary

CITY OF TORRANCE

Schedules generally outline 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 July 1, 1947, to provide retirement benefits for local miscellaneous and local safety (fire and police) employees. Effective January 1, 1985, the City contracted with CalPERS to provide health benefits to all eligible employees. The City's contract for retirement benefits identifies the length of the final compensation period as twelve months for all coverage groups.

SCOPE

As part of the Board approved plan for fiscal year 2010/11, the OAS reviewed the City's payroll reporting and member enrollment processes as these processes relate to the City's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from July 1, 2007 through June 30, 2010. The on-site fieldwork for this review was conducted from September 13, 2010, through September 17, 2010. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed under Appendix B.

CITY OF TORRANCE

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The City did not report compensation earnable:

- a) Uniform allowance for police personnel was not reported.
- b) Holiday pay for eligible miscellaneous personnel was not reported.

Recommendations:

- a) The City should report the monetary value of uniforms for employees who are required to wear uniforms. In addition, the City should include language pertaining to the value of uniforms in the employees' written labor agreement.
- b) The City should report holiday pay for eligible miscellaneous employees.

The City should work with CalPERS Customer Account Services Division to assess the impact of this non-reporting and determine what adjustments, if any, are needed.

Condition:

a) Uniform Allowance was not reported

The City established a uniform incentive program authorizing up to \$110 for police uniform items that include shirt, pants, field jacket, and boots. The City did not report the value of uniform items to CalPERS as special compensation for police employees required to wear uniforms.

b) Holiday pay was not reported

The City did not report holiday pay for sampled miscellaneous personnel required to work on holidays. Specifically, a police dispatcher, lead maintenance worker, and airport worker received holiday premium pay for working on a holiday. The dispatcher received \$908.22 and graveyard differential as holiday pay during the 12/09-3 service period. In addition, the maintenance worker received \$325.08 and the airport worker received \$358.92 and night shift differential as holiday pay during the 6/10-3 service period. However, the City did not report the holiday pay as special compensation.

CITY OF TORRANCE

Finding 2: Non-reportable compensation was erroneously reported.

- a) Shooting pay was reported for an ineligible employee.
- b) Federal Labor Standards Act (FLSA) premium pay was reported for employees that were not eligible to receive this pay.
- c) Employer Paid Member Contributions (EPMC) was reported for police and police commander but was not contained in a written labor agreement and should not have been reported.

Recommendation:

- a) The City should discontinue reporting shooting pay for employees who are not eligible to receive this special compensation.
- b) The City should discontinue reporting FLSA premium for employees who are not eligible to receive this special compensation.
- c) The City should discontinue paying EPMC that is not contained in a written labor agreement for police and police commanders.

The City should work with the CalPERS Customer Account Services Division to assess the impact of this incorrect reporting and determine what adjustments are needed.

Condition:

a) Shooting Pay

The City paid and reported shooting pay (marksmanship pay) for a Fire Battalion Chief. For retirement purposes, compensation earnable for marksmanship pay is limited to local police officers, county peace officers and school police or security officers that are certified as a marksperson.

b) FLSA Premium Pay

The City incorrectly reported FLSA premium pay for fire personnel. Specifically, timesheets verified that an employee worked a 40 hour work week; however, the City paid and reported FLSA premium pay. The employee's position did not

CITY OF TORRANCE

require the employee to work more than 40 hours per week as a normal work week; therefore, the FLSA premium pay was not reportable.

c) EPMC

The City paid and reported the value of EPMC for police and police commanders. However, the employment agreements for these bargaining units did not contain a provision to pay and report the value of EPMC as required.

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Finding 3: The City incorrectly reported special compensation (merit pay) in base payrate and regular earnings.

Recommendation

The City should report merit pay separately from base payrate and regular earnings as special compensation.

The City should work with CalPERS Customer Account Services Division to assess the impact of this incorrect reporting and determine what adjustments are required.

Condition:

Merit pay was incorrectly included and reported in the base payrate and regular earnings for one employee during the 6/10-3 sampled service period. The City paid and reported a base payrate of \$56.41 per hour for the employee which included merit pay of \$1.37 per hour. The authorized base payrate per hour was \$55.04. The City should have reported merit pay separately as special compensation rather than as part of base payrate and regular earnings.

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Finding 4: The work schedule code reported for an employee assigned to a 40-hour work week did not correspond to the hours worked.

Recommendation

The City should report work schedule codes that correspond to the hours of the normal full-time work schedule for employees in the same work group.

The City should work with CalPERS Customer Account Services Division to assess the impact of this incorrect reporting and determine what adjustments are required.

Condition:

A Fire Battalion Chief was assigned to a 40 hour work week during the sampled service periods; however, the City reported a work schedule code of 560. The employee was classified as a Fire Battalion Chief-40 and worked 40 hours per week; therefore, a work schedule code of 400 should be used with the corresponding base payrate.

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Finding 5: The City did not enroll temporary/part-time employees into CalPERS membership when eligibility requirements were met.

Recommendations:

The City should review and monitor all hours worked in a fiscal year by all temporary/part-time employees and enroll those that meet membership eligibility criteria. The City should work with CalPERS Customer Account Services Division to assess the impact of and to correct this membership enrollment issue.

Conditions:

Our sample included six part time/temporary employees that were hired directly by the City and four employees that provided services to the City through temporary employment agencies in the 2008/09 and 2009/10 fiscal years. One employee was identified as a retired annuitant and was reviewed separately (see finding 6). The remaining nine employees met eligibility requirements by exceeding 1,000 hours in a fiscal year; however, the City did not enroll the temporary/part-time employees who qualified to become CalPERS members.

Temporary/Part-Time Employees Hired Directly by the City:

- One sampled employee exceeded 1,000 hours in the April 25, 2009 pay period. A total of 1,176 hours were worked in the 2008/09 fiscal year.
- Two sampled employees exceeded 1,000 hours in the May 23, 2009 pay period. A total of 1,152 and 1,111 hours were worked, respectively, in the 2008/09 fiscal year.
- One sampled employee exceeded 1,000 hours in the January 16, 2010 pay period. A total of 1,058 hours were worked in the 2009/10 fiscal year.
- Two sampled employees exceeded 1,000 hours in the June 19, 2010 pay period. A total of 1,022 and 1,037.2 hours were worked, respectively, in the 2009/10 fiscal year.

Part-time Employees Hired Through Temporary Employment Agency:

- One sampled employee exceeded 1,000 hours by invoice date January 11, 2009 in the 2008/09 fiscal year. A total of 1,583.45 hours were worked between invoice periods July 6, 2008 to April 26, 2009.

CITY OF TORRANCE

- One sampled employee exceeded 1,000 hours by invoice date April 26, 2009 in the 2008/09 fiscal year. A total of 1,353.8 hours were worked between invoice periods October 12, 2008 to June 28, 2009.
- One sampled employee exceeded 1,000 hours by invoice date January 29, 2010 in the 2009/10 fiscal year. A total of 1,395.3 hours were worked between invoice periods July 3, 2009 to April 9, 2010.

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Finding 6: The city failed to reinstate a retired annuitant who exceeded 960 hours worked in a fiscal year.

Recommendations:

The City should ensure that employees are properly classified and monitor retired annuitants to ensure that they are reinstated once 960 hours are worked in a fiscal year. The City should work with CalPERS Benefit Services Division to assess the impact of this issue and to determine what adjustments, if any, are needed.

Conditions:

During the temporary/part time testing, OAS determined an employee hired through a temporary employment agency was a retired annuitant from the City. The retired annuitant previously worked for the City as a Police Officer and retired effective June 30, 2009. The retired annuitant returned to work at the City as a court liaison reporter through a temporary employment agency. A total of 1,076 hours were worked by invoiced date February 21, 2010; therefore, the retired annuitant exceeded the 960 hour threshold during the 2009/10 fiscal year. The City did not reinstate the retiree into active CalPERS membership.

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Finding 7: The City did not properly maintain eligibility verifications for dependents enrolled in CalPERS Health Benefits Program.

Recommendation:

The City must ensure that the proper member and dependent enrollment documentation is on file at the City for all members covered under the Health Benefits Program.

Condition:

OAS reviewed a sample of seven employees to assess the health benefits eligibility and enrollment of members and their dependents. Sample testing revealed that the City did not properly maintain documentation for the enrollment of three economically dependent children for two sampled members. However, the City provided the signed Affidavit of Eligibility forms for the enrolled dependents during OAS' on-site fieldwork so this issue has been corrected. The City is responsible for providing employees with enrollment information and has the authority to request documentation needed to determine the eligibility of family members.

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CONCLUSION

This review was limited to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. The test of transactions was limited to employee samples selected from the City's payroll and health records. Sample testing procedures provide reasonable, but not absolute, assurance that 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: August 2011

Staff: Michael Dutil, CIA, Senior Manager

Diana Thomas, CIDA, Manager

Terry Heffelfinger

Karen Harlan

APPENDIX A

BACKGROUND

CITY OF TORRANCE

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. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. 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 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. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employer's 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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APPENDIX B

OBJECTIVES

CITY OF TORRANCE

OBJECTIVES

The objectives of this review were to determine:

- 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 and health benefits contracts with CalPERS were followed.

This review covers the period of July 1, 2007 through June 30, 2010. OAS completed a prior review from June 1, 1996 to December 31, 2000.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
 - Contracts and subsequent amendments the City had with CalPERS
 - Correspondence files maintained at CalPERS
 - City Council minutes
 - City written labor polices and agreements
 - Salary, wage and benefit agreements including applicable resolutions
 - Personnel files including Personnel Action Reports
 - City generated payroll information - Summary Reports and PERS listings
 - Other documents used to specify the payrate, special compensation and benefits of represented and unrepresented employees
 - Health Benefits Program enrollment and supporting documentation files
 - Various other documents as necessary
- ✓ Interviewed staff members to obtain an understanding of the City's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the City's payroll register with the data reported to CalPERS to determine whether the City correctly reported employees' compensation.

Sample Size and Period: Reviewed payroll transactions for 20 employees. Reviewed the first service period of December 2009 and the first service period of June 2010.

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- Finding 1
Compensation earnable was not reported
- Finding 2
Non-reportable compensation was reported
- ✓ Reviewed the City's payroll information reported to CalPERS for the sampled employees to determine whether employees' payrates were reported pursuant to publicly available pay schedules.

Sample Size and Period: Reviewed the City's payroll information reported to CalPERS for 20 employees for the first service period of June 2010. In addition, unrepresented employees' payrates were tested for the review period.
 - No Finding
- ✓ Reviewed the City's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.

Sample Size and Period: Reviewed accuracy in the reporting of various payroll reporting elements in the first service period of December 2009 and the first service period of June 2010.
 - Finding 3
Payrate and member earnings was incorrectly reported
 - Finding 4
Incorrect work schedule code
- ✓ Reviewed the City's enrollment practices pertaining to optional members (elected officials), temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.

Sample Size and Period: Reviewed the City's enrollment practices for a sample consisting of one City Council member, two retired annuitants and nine temporary/part-time employees in fiscal years 2008/2009 and 2009/2010 and five independent contractors in calendar years 2008 and 2009.
 - Finding 5
Temporary/Part-time Employees
 - No Finding
Independent Contractors

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- No Finding
Elected Officials
- Finding 6
Retired Annuitant was not reinstated
- ✓ Reviewed records for employees and their dependents to determine whether the City properly enrolled eligible individuals into CalPERS Health Benefits Program. Sample Size and Period: Reviewed the records for seven employees and their dependents for health plan enrollments recorded at CalPERS as of June 2010.
- Finding 7
Health membership and enrollment documentation

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APPENDIX C

CRITERIA

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CRITERIA

Finding 1: *The City did not report items of earnable special compensation.*

Government Code § 20636(c)(6), states, in part:

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.

California Code of Regulations § 571(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 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 for personal health and safety such as protective vests, pistols, bullets, and safety shoes.

California Code of Regulations § 571(a)(5), defines holiday pay as:

Additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays. If these employees are paid over and above their normal monthly rate of pay for approved holidays, the additional compensation is holiday pay and reportable to CalPERS.

Finding 2: *The City incorrectly reported items of special compensation.*

Government Code § 20630(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 § 20636(a), states, in part:

Compensation earnable by a member means the payrate and special compensation of the member....

Government Code § 20636(c)(6), states, in part:

The board shall promulgate regulations that delineate more specifically and exclusively what constitutes “special compensation” as used in this section....

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California Code of Regulations § 571(a)(1), defines marksmanship pay as:
Compensation to local police officers, county peace officers and school police or security officers who meet an established criterion such as "certification" as a marksperson.

Government Code § 20636(c)(6) states, in part:
Premium pay for all hours worked within the normally scheduled or regular working hours that are in excess of the statutory maximum workweek or work period applicable to the employee under § 201 et seq. of Title 29 of the United States Code shall be included as special compensation.

California Code of Regulations § 571(a)(5) defines FLSA as:
Compensation paid for normal full-time work schedule including premium pay required by FLSA. Any work performed above the normal work schedule would be considered overtime and would not be reported to CalPERS.

Government Code § 20636(c)(4), states, in part:
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.

California Code of Regulations § 569 states, in part:
A contracting agency or school employer that pays all or a portion of normal member contributions based on compensation earnable, as Employer Paid Member Contributions (EPMC), must conform to the "group or class" requirement in Section 20691 of the Government Code and these regulations. (a) Specifically, the payment of EPMC must be: (1) Authorized in a written labor agreement....

Finding 3: *Special compensation reported in base payrate and regular earnings*

Government Code § 20636(a), states, in part:
Compensation earnable by a member means the payrate and special compensation of the member....

Government Code § 20636(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....

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Government Code § 20636 (c)(1), defines special compensation as:

Payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.

CalPERS Procedure Manual, page 71, states, "All special compensation is required to be reported separately as special compensation, as it is earned."

Finding 4: *Incorrect work schedule code reported*

The CalPERS Procedure Manual, page 99, defines the work schedule code as "A 3-digit numeric code used in calculating both the employer rate and member's retirement benefits. It identifies what you, the employer, consider to be full-time employment for employees in the same work group, such as by department or duties, but not by individual employee. Approved work schedule codes range from 34 to 60 hours per week...The work schedule code typically will not vary from report to report."

Finding 5: *Temporary/Part-Time Employees*

Government Code § 20028(b), defines an employee as any person in the employ of any contracting agency.

Government Code § 20305 (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... (3)(B) The person completes 125 days, if employed on a per diem basis or, if employed on other than a per diem basis, completes 1,000 hours within the 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 125 days or 1,000 hours of service were completed.

Finding 6: *Retired Annuitant*

Government Code § 21224(a), states:

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, and the rate of pay for the employment shall not be less than

CITY OF TORRANCE

the minimum, nor exceed that paid by the employer to other employees performing comparable duties.

Finding 7: *Health Membership and Enrollment Documentation*

Government Code § 22775, states:

Family member means an employee's or annuitant's spouse or domestic partner and any unmarried child, including an adopted child, a stepchild, or recognized natural child. The board shall, by regulation, prescribe age limits and other conditions and limitations pertaining to unmarried children.

California Code of Regulations § 599.500(k), states, "Eligible means eligible under the law and this subchapter to be enrolled."

The CalPERS Public Agency Health Benefits Procedure Manual, page 03-03, states, in part:

CalPERS, as well as the contracting agencies, have the right to request any documentation needed to support dependent eligibility at the time of enrollment, or any time thereafter.

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APPENDIX D

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
CITY OF TORRANCE EMPLOYER CODE 0158
PRIOR REVIEW P00-031, DATED AUGUST 2001**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. The City did not correctly report the value of uniforms and uniform maintenance for employees who were provided uniforms.	The City should begin reporting the value of uniforms provided and the cleaning of the uniforms as special compensation.	Similar finding noted in the current report; however, it is noted that the City reported uniforms and uniform maintenance for the group of employees previously included in the exception.
2. Industrial disability retirement determination was not made timely.	The City should establish a procedure to request a documented agreement from its industrial disability applicants to waive the six month determination period when appropriate.	Industrial disability testing was not performed during the current review.
3. Additional service credit election (golden handshake) criteria not met.	The City should work with CalPERS BNSD to determine the impact of this situation and what adjustments, if any, are needed. In addition, the City should ensure that any vacancies created by Government Code Section 20903 retirements with additional service credit remain permanently unfilled, resulting in departmental reduction in workforce.	No similar observations were noted.

Conclusion: The City did not properly implement the recommendation of the prior review pertaining to uniform allowance. Specifically, the City did not report the value of uniforms for police personnel required to wear uniforms. Finding #2 was not within the scope of the current review and no similar observations were noted for prior review findings #3.

APPENDIX E

CITY RESPONSE



CITY OF
TORRANCE

HUMAN RESOURCES DEPARTMENT
Operations Division

Leyta O. Fuentes
Human Resources Manager
310/618-2959
LFuentes@TorranceCA.Gov

June 24, 2011

Margaret Junker, Chief
CalPERS
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

RE: City of Torrance, Employer Code 0158, Response to Compliance Review

Dear Ms. Junker:

Enclosed is the City of Torrance's response to the draft report of compliance in relation to the City's contract with the California Public Employees' Retirement System (CalPERS). We appreciate Karen Harlan's flexibility in extending the deadline from the original date to June 28, 2011. The extension allowed us the time to address the items identified in the report.

Sincerely,


Leyta O. Fuentes
Human Resources Manager

Attachments

cc. Karen Harlan, CalPERS
Joyce Reyes, Accounting Manager, City of Torrance

City of Torrance
Response to CalPERS Public Agency Review
Employer Code 0158
June 2011

CalPERS Finding 1: The City did not report compensation earnable:

- a) Uniform Allowance for Police Personnel was not reported.*
- b) Holiday Pay for eligible miscellaneous personnel was not reported.*

City Response to Finding 1:

- a) The City agrees with this finding and has corrected the issue by reporting Uniform Allowance earned by Police Safety employees as part of their persable special compensation.
- b) The City agrees with this finding and has implemented new payroll timekeeping procedures that will correctly code holiday work pay for eligible employees as persable holiday earnings. This will be reported to PERS as part of the employees' special compensation.

City of Torrance Response to CalPERS Public Agency Review

CalPERS Finding 2: Non-reportable compensation was erroneously reported.

- a) *Shooting Pay was reported for an ineligible employee.*
- b) *Federal Labor Standards Act (FLSA) premium pay was reported for employees that were not eligible to receive this pay.*
- c) *Employer Paid Member Contributions (EPMC) was reported for police and police commander but was not contained in a written labor agreement and should not have been reported.*

City Response to Finding 2:

- a) The City agrees with this finding and has excluded Shooting Pay from the computation of persable special compensation for Non-Police Safety employees authorized to carry fire arms.
- b) The City agrees with this finding and will exclude the pay code FLSA40 from the computation of persable special compensation for TFFA (Torrance Fire Fighters Association) and TFCA (Torrance Fire Chiefs Association) employees assigned to a 40-hour schedule.
- c) The City agrees with this finding and has included the EPMC provision in the current TPOA (Torrance Police Officers Association) and TPCOA (Torrance Police Commanders Association) MOU's. Section 6.3C of Resolution #s 2011-52 and 2011-53 attached.

City of Torrance Response to CalPERS Public Agency Review

CalPERS Finding 3: The City incorrectly reported special compensation (merit pay) in base pay rate and regular earnings.

City Response to Finding 3:

Per Section 3.4C.2 of the TPCOA MOU, the Merit Pay increase will be permanently added to the employee's base rate, thus, it is being reported as part of the base or as regular earnings to PERS. Per PERS Auditor, we can either report this as special compensation, as recommended by PERS, **or as part of the base, provided the City should be able to show these higher base rates in a written financial report or document.** To comply with the requirements of both the TPCOA MOU and CalPERS, we have included these individual employee rates in the City's Annual Compensation Report starting from Fiscal year 2011-2012.

City of Torrance Response to CalPERS Public Agency Review

CalPERS Finding 4: *The work schedule code reported for an employee assigned to a 40-hour work week did not correspond to the hours worked.*

City Response to Finding 4:

The City agrees with this finding and is working to correct this issue. Payroll is working with our CIT support staff to change the current Payroll program to be able to assign two (2) separate work schedules to employees belonging to the same Payroll Group.

City of Torrance Response to CalPERS Public Agency Review

CalPERS Finding 5: The City did not enroll temporary/part-time employees into CalPERS membership when eligibility requirements were met.

City Response to Finding 5:

The City disagrees with this finding with respect to _____ This employee was expected to work a six month term (125 days) only. Employee was terminated after working 105 days.

The City agrees with audit finding and recommendation to enroll _____, and _____ into CalPERS membership. This process has been initiated working with CalPERS Customer Account Services Division.

Additional information is provided as follows:

Three of the employees shown as enrollment reporting errors— _____ and _____—all worked in the Home Improvement Program (HIP). The employees in this program are hired for a six month term and are never intended to continue as permanent employees. To conform with CalPERS regulations, these employees should not exceed 125 days of employment. The City is developing an improved method for monitoring the days worked by these employees and communicating with the supervisor so that they are terminated prior to completing 125 days.

_____ and _____ were both hired through temporary agencies to work as police records technicians pending the hire of permanent civil service employees. The Police Department typically has difficulty filling positions on a permanent basis due to the lengthy background process that can take 3 to 4 months. Employees that are hired through temporary agencies also need to clear the background process and this becomes a cost issue as it will take 3 to 4 months to clear an employee that can work 125 days. Adding to the already complex situation, as a result of budget constraints, the department was not able to permanently fill positions for the later part of 2010 until certain collective bargaining issues could be resolved. A new eligible list for a permanent hire has been promulgated to fill vacancies permanently, reducing the need and the problems associated with temporary employees working as records technicians.

_____ was hired through a temporary agency to fill a position temporarily vacant by medical leave of absence. The leave was much longer than expected and the employee on leave eventually retired and was replaced by a permanent employee.

City of Torrance Response to CalPERS Public Agency Review

CalPERS Finding 6: *The City failed to reinstate a retired annuitant who exceeded 960 hours worked in a fiscal year.*

City Response to Finding 6:

Retiree was re-hired through a temporary agency as the Court Liaison pending the conversion of the position from sworn to civilian. This position was intended to be temporary and only involved planning and training for the civilian employee who eventually took over the duties of the Court Liaison. As soon as these duties were concluded, retiree ended his temporary employment with the City. Unfortunately, the retiree's hours were not sufficiently monitored by staff and he exceeded the 960 hour threshold by 116 hours. City staff is working with temporary agencies to better monitor the hours of retirees that are hired through agencies. The City is working with CalPERS Benefits Services Division/Retirement Support to determine impact and adjustments needed.

City of Torrance
Response to CalPERS Public Agency Review

CalPERS Finding 7: The City did not properly maintain eligibility verifications for dependents enrolled in CalPERS Health Benefits Program.

City Response to Finding 7:

The City has implemented an internal review procedure to ensure documentation is on file for all member and dependents covered under the CalPERS Health Benefits Program.