# Office of Audit Services

# Public Agency Review

# Community Development Commission of Mendocino County

**CalPERS ID: 3363593287**
**Job Number: P14-030**

**March 2015**

**California Public Employees' Retirement System**
**Office of Audit Services**
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March 27, 2015

CalPERS ID: 3363593287
Job Number: P14-030

Larry Cuneo, Controller
Community Development Commission of Mendocino County
1076 N. State St.
Ukiah, CA 95482

Dear Mr. Cuneo:

Enclosed is our final report on the results of the public agency review completed for the Community Development Commission of Mendocino County (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report. In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed By Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Commission, Community Development Commission of Mendocino County
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Diane Alsup, Interim Chief, BNSD, CalPERS
Anthony Suine, Interim Chief, CASD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS

# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

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# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Community Development Commission of Mendocino County (Agency) complied with applicable sections of the California Government Code, California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings during the review. Details are noted in the Results section beginning on page two of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Payrate was not reported correctly.

OAS recommends the Agency comply with applicable sections of the California Government Code, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

## SCOPE

The Agency contracted with CalPERS effective March 28, 1993 to provide retirement benefits for local miscellaneous employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and by the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the Board approved plan for fiscal year 2014-15, the OAS reviewed the Agency's payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from July 1, 2011 through June 30, 2014. One of the employees selected were subject to the Public Employees' Pension Reform Act of 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

## OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

***Condition:***

The Agency's pay schedule effective January 2014 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule was not duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws. In addition, the pay schedule did not list the payrate for the positions of Executive Director, Dependability and Sustainability Manager, and Waiting List Specialist. Further, the Agency did not provide documentation supporting that the payrate for the Executive Director was approved by the board in an open session.

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

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

Pay amounts reported for positions that do not comply with the pay schedule requirements cannot be used to calculate retirement benefits because the amounts

do not meet the definition of payrate under Government Code Section 20636(b)(1). There are no exceptions included in Government Code Section 20636(b)(1).

***Recommendation:***

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

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

***Criteria:***

Government Codes: § 20160, § 20636
CCR: § 570.5

# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

**2:** The Agency reported an incorrect hourly payrate.

***Condition:***

The Agency reported an incorrect hourly payrate for an employee in the pay period ending June 7, 2014. Although the earnings were reported correctly, the Agency reported an incorrect hourly payrate of $53.54 instead of an hourly payrate of $52.29. Payrate is an important factor in computing a member's retirement allowance because service credit and final compensation are directly related to the payrate and earnings reported for a member.

***Recommendation:***

The Agency should ensure payrates are correctly reported.

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

***Criteria:***

Government Codes: § 20160, § 20636

# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

## CONCLUSION

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

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code Section 20134 and Sections 555-555.4, Title 2, of California Code of Regulations.

Respectfully submitted,

Original Signed By Young Hamilton

YOUNG HAMILTON, CPA, CIA, CISA
Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Senior Manager
Diana Thomas, CIA, Senior Manager
Patrick McCasland, CPA, Auditor

**COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY**

# APPENDIX A

## OBJECTIVES

# COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY

## OBJECTIVES

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

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

This review did not include an assessment as to whether the Agency is a "public agency," and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

## SUMMARY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

✓ Reviewed:
- o Provisions of the contract and contract amendments between the Agency and CalPERS
- o Correspondence files maintained at CalPERS
- o Agency Board minutes and Agency Board resolutions
- o Agency written labor policies and agreements
- o Agency salary, wage and benefit agreements including applicable resolutions
- o Agency personnel records and employee hours worked records
- o Agency payroll information including Contribution Detail Transaction History reports
- o Other documents used to specify payrate, special compensation, and benefits for employees
- o Various other documents as necessary

✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.

✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the

Agency's governing body in accordance with requirements of applicable public meetings laws.

- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when unlawful employment occurs.
- ✓ Reviewed the Agency's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entities to determine if the Agency shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the Agency or by the affiliated entity.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

**COMMUNITY DEVELOPMENT COMMISSION OF MENDOCINO COUNTY**

# APPENDIX B

## AGENCY RESPONSE

COMMUNITY DEVELOPMENT COMMISSION
Of Mendocino County
1076 N. State St., Ukiah, CA 95482

707/463-5462
FAX: 707/463-4188
TDD: 707/463-5697

February 28, 2015

Young Hamilton, Acting Chief
California Public Employees Retirement System
P.O. Box 942701
Sacramento CA 94229-2701

Re: CalPERS Audit; CalPERS ID: 3363593287; Job Number: P14-030

Dear Mr. Hamilton,

Your audit team examined the Commission's payroll records in mid September of 2014. The Commission has received a draft report of the auditor's review. Two conditions were identified. We agree that the two conditions did exist and we will incorporate the recommendations made by you and your staff into our agency's processes.

Condition #1: "The Agency's pay schedule did not meet all the requirements of the Government Code and CCR."
Response #1: The current pay schedule will be reviewed at a Board of Commissioners public meeting prior to July 31, 2015. Thereafter Commission staff will request that the Board of Commissioners approve any proposed changed to the salary schedule.

Condition #2: "The Agency reported an incorrect hourly payrate".
Response #2: Prior period adjustments have been made within the CalPERS computer system. The payrate in question has been corrected.

We appreciated the opportunity to meet with your staff. They were helpful and informative. If you should have any questions please contact me at (707) 463-5462.

Sincerely,

[redacted]

Original Signed By Lawrence M. Cuneo
Lawrence M. Cuneo
Controller
Community Development Commission of Mendocino County

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EQUAL HOUSING OPPORTUNITY