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August 30, 2010

Employer Code: 0569  
Job Number: P09-023

Housing Authority of the City of Los Angeles  
Kenneth Simmons, Chief Operating Officer  
2600 Wilshire Blvd.  
Los Angeles, CA 90057

Dear Mr. Simmons:

Enclosed is our final report on the results of the public agency review completed for the Housing Authority of the City of Los Angeles. Your agency's written response indicates agreement with the issues noted in the report, except for the issue pertaining to Risk 2, payrate reporting. 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, CIA, CPA, CIDA  
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Lori McGartland, Chief, ERSD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Holly Fong, Chief, EMHS, CalPERS  
Honorable Board of Commissioners, Housing Authority of the City of Los Angeles  
Patrice McConnell, HR Director, Housing Authority of the City of Los Angeles

# **Housing Authority of the City of Los Angeles**



## **Public Agency Review**



**Employer Code: 0569  
Job Number: P09-023**

**August 2010**

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# **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

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# **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

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## **RESULTS IN BRIEF**

We reviewed the Housing Authority of the City of Los Angeles' (Authority) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- Employer Paid Member Contributions (EPMC) was incorrectly paid for one sampled employee.
- Special compensation (POST certification and education) was incorrectly reported.
- Payrate was incorrectly reported for one individual in our sample.
- Retirement contributions were not remitted timely.
- Temporary/part-time employees were not enrolled in CalPERS membership.
- Industrial Disability Retirement (IDR) determination was not made timely.
- Required health enrollment forms were not maintained.
- Eligibility verification for dependents enrolled in CalPERS Health Benefits Program was not provided.
- Health contribution payments were not remitted timely.
- Required ACES user forms were not maintained.

## **BACKGROUND**

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 Employer Services Division (ERSD) 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 Office of Employer and Member Health Services (EMHS), as part

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# **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

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of the Health Benefits Branch (HBB), 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.

The Housing Authority of the City of Los Angeles is a state-chartered public agency. It provides the largest stock of affordable housing in Los Angeles and is one of the nation's leading public housing authorities. It is also one of the oldest, providing quality housing options and supportive services to the citizens of Los Angeles since 1938.

The Authority contracted with CalPERS effective January 2, 1965, to provide retirement benefits for miscellaneous employees. Subsequent contract amendments provide retirement benefits for local safety employees. The Authority's current contract amendment identifies the length of the final compensation period as one year for all coverage groups. The Authority contracted with CalPERS effective October 1, 1977, to provide health benefits to all employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the Authority's payroll reporting and enrollment processes as these processes relate to the Authority's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the Authority complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review

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was conducted on September 14, 2009 through September 18, 2009 and October 5, 2009 through October 6, 2009.

The review period was limited to the examination of sampled records and processes from July 1, 2006 through June 30, 2009. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the Authority had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Authority had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the Authority's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the Authority's payroll register with the data reported to CalPERS to determine whether the Authority correctly reported employees' compensation.
- ✓ Reviewed the Authority's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Authority's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the Authority's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the Authority's classification of employees to determine whether the Authority reported employees in the appropriate coverage groups.
- ✓ Reviewed the Authority's process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the Authority's calculation and reporting of unused sick leave balances for retiring employees.
- ✓ Reviewed employees and their dependents to determine whether the Authority properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health premium payment information to determine whether the payments were remitted within the required timeframe.

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## **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

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- ✓ Reviewed health contribution payments to determine whether the Authority contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the Authority maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

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## RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The Authority may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of 14 employees over two service periods. The service periods reviewed were the second service period of December 2008 (12/08-4) and the first service period of June 2009 (6/09-3).</p> <p>The earnings reported to CalPERS were reconciled to the Authority's payroll records. The Authority accurately reported compensation to CalPERS for the sampled employees, except for the following instances.</p> <p><u>EPMC Was Incorrectly Paid</u></p> <p>The Authority adopted a time in grade resolution for the payment of EPMC effective October 4, 2003. The resolution specified the following:</p> <ul style="list-style-type: none"><li>• The Authority would reduce the EPMC to CalPERS for all current permanent employees from 7% to 4%.</li><li>• Employees hired to a permanent status after the option of the 2.7% @ 55 would contribute the full 8% of the employee contribution to CalPERS for a period of 60</li></ul>	<p>The Authority should pay EPMC in accordance to the adopted time-in-grade resolution.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this incorrect payment and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The Authority may not accurately report compensation to CalPERS. (continued)	<p>months and at the conclusion of a 60 month period the contribution rate for employees hired after the adoption of the 2.7% @ 55 would be reduced to 4%.</p> <ul style="list-style-type: none"><li>Employees with temporary/casual status would contribute the full 8% of the employee contribution to CalPERS for the duration of their employment as temporary/casual.</li></ul> <p>The Authority correctly paid EPMC for the employees with exception of one sampled member. The employee was hired by the Authority on November 4, 2004; therefore, the employee was required, by the Authority's resolution, to pay the full 8% of the employee contribution for a period of 60 months. However, the Authority paid the full 8% of the contributions on behalf of the employee. Based on the adopted resolution, the Authority should not have paid the contributions for this employee.</p> <p>Government Code, § 20691, states, in part, "Notwithstanding any other provision of the 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. If an individual is not part of a group or class, the payment shall</p>	A confidential list identifying the employee mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The Authority may not accurately report compensation to CalPERS. (continued)	<p>be limited to the amount that the board determines is payable to similarly situated members in the closest related group or class, subject to the limitations of paragraph (2) of subdivision (e) of Section 20636. The payments shall be reported simply as normal contributions and shall be credited to member accounts."</p> <p>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...However, the employer may qualify its payment of EPMC, by electing a cumulative 'time-in-grade exception' which shall only apply to persons newly-hired into the pertinent group or class of employment."</p> <p>California Code of Regulations, § 569(e), states, in part, "Once a newly-hired employee has satisfied the time-in-grade exception, he or she shall be entitled to the payment of EPMC on the same terms that apply to all other employee in the pertinent group or class."</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The Authority may not accurately report compensation to CalPERS. (continued)	<p><u>Non-Reportable Compensation (POST Certification and Education) Was Reported:</u></p> <p>A sampled safety employee had a separate contract with the Authority that authorized special compensation for having POST certification and education. Specifically, the contract stated the employee would receive an education and incentive pay of \$358.12 bi-weekly, an intermediate POST certificate compensation of \$37.50 bi-weekly, and an advanced POST certificate compensation of \$96.67 bi-weekly. However, no other employee of the Authority was eligible for the compensation, therefore, the compensation was not reportable. The Authority incorrectly reported the compensation during the sampled service periods.</p> <p>Government Code, § 20636(a), states, in part, "Compensation earnable by a member means the payrate and special compensation of the member."</p> <p>Government Code, § 20636(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. If an individual is not part of a</p>	<p>The Authority should immediately discontinue reporting POST and education special compensation for the employee identified, unless it is offered to all members of the group or class of employment.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p>

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
1. The Authority may not accurately report compensation to CalPERS. (continued)	<p>group or class, special compensation shall be limited to that which the board determines is received by similarly situated members in the closest related group or class that is in addition to payrate."</p> <p>Government Code, § 20636(e)(1), states, in part, "Group or class of employment means a number of employees considered together because they share similarities in job duties, work location, collective bargaining unit, or other logical work-related grouping. One employee may not be considered a group or class."</p> <p>California Code of Regulations, § 571(a), identifies and defines special compensation items for members employed by contracting agencies.</p> <p>California Code of Regulations, § 571(b), states, in part, "The Board has determined that all items of special compensation listed in subsection (a) are (1) contained in a written labor policy or agreement; (2) available to all members in the group or class...."</p>	
2. The Authority may not report payrates in accordance with publicly available salary schedules.	We reviewed payrates reported to CalPERS and reconciled the payrates to the Authority's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS.	The Authority should ensure all employees' salaries are listed in schedules available for public scrutiny.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
2. The Authority may not report payrates in accordance with publicly available salary schedules. (continued)	<p>One sampled employee's payrate was not reported in accordance to the SEIU salary schedule (the bargaining unit under which the employee's position was classified). A comparable position on another bargaining unit's salary schedule was utilized for the payrate that was paid and reported to CalPERS. Publicly available salary information should be traceable to the corresponding position/classification.</p> <p>Government Code, § 20636(b)(1), defines payrate as 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.</p> <p>Government Code, § 20636(d), states, "Payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny."</p>	<p>The Authority should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p>
3. The Authority may not accurately report payroll information to CalPERS.	We reviewed the payroll information reported to CalPERS for the employees sampled in Risk 1 during service periods 12/08-4 and 6/09-3. Our sample testing revealed that the Authority correctly reported the payroll information to CalPERS.	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
4. The Authority may fail to or did not submit payroll in a timely manner to CalPERS.	<p>We reviewed the payroll information for service periods 9/07-3, 1/08-4, 8/08-4, 12/08-4, and 6/09-3 and found that the Authority did not submit payroll information within the required timeframe. Two of the five sampled summary reports were untimely and four of the five sampled contribution payments were untimely. Specifically,</p> <ul style="list-style-type: none"><li>• In service period 9/07-3 (pay period ending September 14, 2007), the Electric Fund Transfer (EFT) contribution payment of \$339,821.85 was processed on October 12, 2007 and debited from the Authority's bank on October 15, 2007. The payment was due on or before September 29, 2007; therefore, the payment was 16 days late.</li><li>• In service period 1/08-4 (pay period ending January 18, 2008), the CalPERS summary report and payroll listing were dated February 21, 2008. The reports were three days late. The contribution EFT payment of \$348,078.86 was processed on February 21, 2008 and debited from the Authority's bank on February 25, 2008. The payment was due on or before February 3, 2008; therefore, the payment was 22 days late.</li><li>• In service period 8/08-4 (pay period ending August 15, 2008), the CalPERS summary report and payroll listing were dated September 26, 2008. The</li></ul>	The Authority should implement procedures to ensure that payroll summaries and contributions are reported timely to CalPERS.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
4. The Authority may fail to or did not submit payroll in a timely manner to CalPERS. (continued)	<p>reports were 11 days late. The contribution EFT payments of \$299,484.71 and \$94,828.84 for a total of \$394,313.55 were processed on September 26, 2008 and debited from the Authority's bank on September 29, 2008. The payment was due on or before August 30, 2008; therefore, the payment was 30 days late.</p> <ul style="list-style-type: none"><li>• In service period 6/09-3 (pay period ending June 5, 2009), the contribution EFT payment of \$386,423.54 was processed on June 22, 2009 and debited from the Authority's bank on June 23, 2009. The payment was due on or before June 20, 2009; therefore, the payment was three days late.</li></ul> <p>California Code of Regulations, §565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1, states, "Employers reporting on tape or punched cards, a complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers."</p>	

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The Authority may not enroll all eligible employees into CalPERS membership.	<p><u>Excluded Employees</u></p> <p>The contract between the Board of Administration of CalPERS and the Board of Commissioners of the Authority excludes the following:</p> <ul style="list-style-type: none"><li>• All employees and former employees who are receiving benefits under the local system, except those persons who would be excluded under this provision but who have irrevocably assigned to the Authority all right, title, and interest in or to any benefit payment due them under the local system for time commencing January 1, 1965, shall not be excluded there under.</li><li>• All temporary manual and maintenance employees and apprentices including in Article III, Section 1, modified by Article III, Section 3.A "Per Diem Positions", of the Memorandum of Understanding by and between the Housing Authority of the City of Los Angeles and the Los Angeles County Building and Construction Trades Council executed October 14, 1982. This exclusion includes but is not limited to the following construction trades: lead abatement and asbestos laborers, carpenters, painters, plumbers, electricians, tile workers, cement finishers, plasters, glaziers.</li></ul>	None.

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)	<p>The Authority properly excluded these individuals from membership during the review period.</p> <p><u>Optional Membership</u></p> <p>Elective officers who serve on a public commission, board, council, or similar legislative or administrative body who have continuously served in office held on June 30, 1994 have optional membership rights. Elected or appointed officials elected for the first time on or after July 1, 1994 are not eligible for membership. The Authority's elected members did not serve on the board continuously since July 1, 1994; therefore, the Authority properly excluded the individuals.</p> <p><u>Temporary/Part-Time Employees</u></p> <p>We selected a sample of five temporary/part-time employees hired by the Authority and two part-time/temporary employees hired through temporary employment agencies and examined the number of hours worked in fiscal years 2007/2008 and 2008/2009 to determine whether they reached or exceeded the 1,000 hour membership eligibility criterion. Our sample testing revealed the following:</p>	<p>None.</p> <p>The Authority should ensure that all part-time employees are enrolled timely when the 1,000 hour membership eligibility requirement is met.</p> <p>The Authority should review and monitor all hours worked in a fiscal year by all temporary/part-</p>

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)	<ul style="list-style-type: none"><li>One sampled employee worked 1,954 hours in fiscal year 07/08 and met the 1,000 hour membership eligibility requirement on January 25, 2008; however, the individual was not enrolled into membership.</li><li>One sampled employee worked 1,035.5 hours in fiscal year 07/08 and met the 1,000 hour membership eligibility requirement by May 30, 2008; however, the individual was not enrolled into membership.</li><li>One sampled employee worked 2,479.5 hours in fiscal year 07/08 and met the 1,000 hour membership eligibility requirement by December 14, 2007; however, the individual was not enrolled into membership.</li><li>One sampled employee worked 1,916 hours in fiscal year 07/08 and met the 1,000 hour membership eligibility requirement by January 25, 2008; however, the individual was not enrolled into membership.</li><li>One sampled employee worked 1,840 hours in fiscal year 07/08 and met the 1,000 hour membership eligibility requirement by January 25, 2008; however, the individual was not enrolled into membership.</li></ul>	<p>time employees and enroll those that meet the membership eligibility requirement. The Authority should also review the current practice for screening temporary employees.</p> <p>The Authority should work with CalPERS ERSD to assess the impact of this non-enrollment and incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.</p>

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)	<ul style="list-style-type: none"><li>One sampled employee worked 1,134 hours in fiscal year 07/08; however, the individual was not enrolled into membership. We were unable to determine the exact date the eligibility requirement was met.</li><li>One sampled employee worked 1,212.51 hours in fiscal year 07/08; however, we were unable to determine the exact date eligibility was met. The Authority enrolled the individual effective June 9, 2008 upon making the individual full-time. We were unable to determine if the enrollment was timely.</li></ul> <p>Government Code, § 20305(a)(3)(B), states, in part, "An employee serving on a less than full-time basis is excluded from this system unless the person works 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 1,000 hours of service were completed."</p> <p>Government Code, § 20028(b), defines an employee as "Any person in the employ of a contracting agency."</p> <p>CalPERS' Procedure Manual, page 26, states, in part, "Qualification for membership is reached when the person works 1,000 hours in a fiscal year (if paid other than per diem basis). Any overtime hours worked should be</p>	

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The Authority may not enroll all eligible employees into CalPERS membership. (continued)	<p>counted towards this threshold.... Membership becomes effective no later than the first day of the next pay period after completion of 1,000 hours or 125 days.”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the Authority’s IRS 1099 Miscellaneous Income forms for calendar years 2007 and 2008 in order to identify employees that may be misclassified as independent contractors. The selected individuals were properly classified as independent contractors and correctly excluded from CalPERS membership.</p>	None.
6. The Authority may unlawfully employ retired annuitants.	We reviewed the hours worked for two retired annuitants in fiscal years 2007/2008 and 2008/2009. Our sample testing revealed that the retired annuitants did not exceed the 960 hour threshold. We also determined that a bona fide separation from employment, per Government Code Section 21220.5, was not needed as the sampled retired annuitants’ age at retirement were beyond the normal retirement age.	None.
7. The Authority may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the Authority reported members under the appropriate coverage group code.	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
8. The Authority may not appropriately process industrial disability retirement determinations and appeals for safety members.	<p>We reviewed the Authority's procedures for processing applications for Industrial Disability Retirement (IDR). We found that the Authority had appeals procedures in place; however, the Authority did not make a determination timely for an applicant whose determination was made during the review period. Specifically, one employee applied for IDR on October 28, 2003; however, the Authority did not make a determination until August 31, 2006 which exceeded the required 6-month timeframe. It was noted that the District did not obtain a waiver from the employee.</p> <p>Government Code, § 21157, states, in part, "The governing body of a contracting agency shall make its determination within six months of the date of the receipt by the contracting agency of the request by the board. A local safety member may waive the requirements of this section."</p>	<p>The Authority should implement procedures in order to timely make IDR determinations and/or obtain waivers from IDR applicants if IDR determinations are expected to exceed six months. The Authority should work with CalPERS BNSD to assess the impact of this late IDR determination and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this report has been sent to the Authority and CalPERS BNSD as an appendix to our draft report.</p>
9. The Authority may not accurately report unused sick leave balances for retiring CalPERS members.	Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the Authority's local safety members; however, the provision was neither contracted nor mandated for miscellaneous members. Our sample testing revealed that the Authority properly reported the balance of unused sick leave for the one sampled retiree eligible for the benefit.	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The Authority may not properly enroll eligible employees and their dependents in health benefits.	<p>We reviewed a sample of six employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the Authority properly enrolled eligible employees and their dependents in CalPERS' health benefits program, except for the following:</p> <p><u>Health Enrollment Forms Were Not Properly Maintained.</u></p> <p>The Authority did not properly maintain Declaration of Health Coverage (HB-12A) and Health Benefit Plan Enrollment (HBD-12) forms for enrolled members. Specifically, the Authority did not properly maintain HB-12A forms for five of the six sampled members who enrolled into membership or had changes in their health coverage after January 1, 1998. In addition, the Authority did not maintain HBD-12 forms for one sampled member showing the individual's enrolled dependents. California Code of Regulations, § 599.500(f), states, "Enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing to be enrolled in a health benefits plan."</p> <p>The HB-12A provides information on enrollment options and consequences for non-enrollment. The HB-12A is to ensure compliance with the Health Insurance Portability</p>	<p>The Authority must ensure that the proper member and dependent enrollment documentation is on file at the Authority within 60 days from the date of our final report.</p> <p>Please send an email to: <i>HBB_Audit_Services @ calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the individuals mentioned in this</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The Authority may not properly enroll eligible employees and their dependents in health benefits. (continued)	<p>and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes Open Enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the HBD-12 form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p> <p><u>Dependent Enrollment Supporting Documentation Was Not Provided.</u></p> <p>Documentation provided by the Authority supported dependent eligibility for four of the six sampled employees. Affidavits of Eligibility (HBD-35) forms were not provided for enrolled dependents of two sampled employees. In addition, it was noted that a HBD-35 was on file for one enrolled dependent but was not signed by the Authority. We discussed with the Authority that the document must be signed by the member and the Authority.</p> <p>Government Code, § 22775, states, "Family member means an employee's or annuitant's spouse or domestic</p>	<p>report has been sent to the Authority and CalPERS HBB as an appendix to our draft report.</p> <p>The Authority must ensure that the proper member and dependent enrollment documentation is on file at the Authority within 60 days from the date of our final report.</p> <p>Please send an email to: <i>HBB_Audit_Services@calpers.ca.gov</i> once the requested documentation is on</p>

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
10. The Authority may not properly enroll eligible employees and their dependents in health benefits. (continued)	<p>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."</p> <p>Government Code, § 20085, states, in part, "(a) It is unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system. (b) For purposes of this section, 'statement' includes, but is not limited to, any oral or written application for benefits, report of family relationship..., or continued eligibility for a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make restitution to this system... for the amount of the benefit unlawfully obtained."</p>	<p>file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the Authority and CalPERS HBB as an appendix to our draft report.</p>

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
11. The Authority may not contribute the appropriate health contribution amounts for active employees.	We reviewed the health contributions reported for June 2009. We determined that the Authority contributed the appropriate health contribution amount as part of the sampled members' total monthly premium amount.	None.
12. The Authority may not remit health contributions within the required timeframe.	We reviewed the June 2008, December 2008, May 2009, and June 2009 health contribution payments and determined the Authority did not remit the payments within the appropriate timeframe. Specifically, <ul style="list-style-type: none"><li>• The June 2008 health benefits contribution check in the amount of \$255,760.84 was dated June 12, 2008 and cleared on June 17, 2008. The payment was seven days late.</li><li>• The December 2008 health benefits contribution check in the amount of \$258,679.33 was dated December 16, 2008 and cleared on December 24, 2008. The payment was 14 days late.</li><li>• The May 2009 health benefits contribution check in the amount of \$216,292.57 was dated May 5, 2009 and cleared on May 13, 2009. The payment was three days late.</li><li>• The June 2009 health benefits contribution check in the amount of \$280,701.05 was dated June 16, 2009 and cleared on June 23, 2009. The payment was 13 days late.</li></ul>	The Authority should ensure CalPERS receives health contribution payments by the 10th of each month for the month which the payments are due.

# HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
12. The Authority may not remit health contributions within the required timeframe. (continued)	<p>Government Code, § 22899(a), states, in part, "The contributions required of a contracting agency, along with contributions withheld from salaries of its employees, shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due."</p> <p>Government Code, § 22899(c), states, "If a contracting agency fails to remit the contributions when due, the agency may be assessed interest at an annual rate of 10 percent and the costs of collection, including reasonable legal fees, when necessary to collect the amounts due. In the case of repeated delinquencies, the contracting agency may be assessed a penalty of 10 percent of the delinquent amount. That penalty may be assessed once during each 30-day period that the amount remains unpaid. Additionally, the contracting agency may be required to deposit one-month's premium as a condition of continued participation in the program."</p>	
13. The Authority may not maintain appropriate ACES security procedures.	We reviewed the security procedures for the Authority's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users. The Authority took precautions to ensure ACES security by not sharing user ID's or passwords; however, the Authority did not properly maintain ACES users' <i>Employer User Security</i>	The Authority should ensure that ACES user security agreements are completed timely and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements.

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## HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
13. The Authority may not maintain appropriate ACES security procedures. (continued)	<p><i>Agreement(s)</i> (AESD-43) for three authorized users, and <i>Delete ACES Users Access Forms</i> (AESD-42) for two disabled users.</p> <p>CalPERS ACES security procedures outlined on the CalPERS website at <a href="http://www.calpers.ca.gov">www.calpers.ca.gov</a> require agencies to keep a signed copy of security documents on file for ACES users. A Delete "ACES User Access" Form (AESD-42) must be completed and submitted to CalPERS when requesting the deletion of a user account. Agencies must complete and submit this form to notify CalPERS when an employee will no longer be an ACES user.</p> <p>State law requires that all CalPERS sensitive or confidential information must be protected, and used only for performing official CalPERS business. Forms must be retained in a secure work site location of the employer, for the life of the Agreement and for two years following the deactivation or termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential information is subjected to unauthorized disclosure, modification or destruction.</p>	A confidential list identifying the individuals mentioned in this report has been sent to the Authority and CalPERS ERSD as an appendix to our draft report.

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# **HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

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## **CONCLUSION**

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the Authority's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

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

Date: August 2010

Michael Dutil, CIA, Senior Manager  
Diana Thomas, CIDA, Manager  
Karen Harlan

# **APPENDIX A**

## **STATUS OF PRIOR REVIEW**

**Housing Authority of the City of Los Angeles**  
**Status of Prior Review, March 1996**  
**Employer #0569 - Job Number P09-023**

Prior Review Finding	Prior Review Recommendation	Status of Recommendation
1. Uniform Allowance Not Reported	The Housing Authority and CalPERS should work together to ensure the appropriate amount of compensation is reported.	Implemented. The Housing Authority properly reported uniform allowance during the review period.
2. Eligible Employees Not Reported	The Housing Authority should establish effective procedures to monitor the working hours and days of part-time and per diem employees and enroll them in CalPERS membership when the membership criteria are met.	Not Implemented. The Housing Authority did not properly enroll part-time employees when eligibility was met.
Conclusion:		
The Authority had not implemented the recommendation for finding 2 of our prior review report dated March 1996.		

# **APPENDIX B**

**AUTHORITY'S WRITTEN RESPONSE**



**HOUSING AUTHORITY** OF THE CITY OF LOS ANGELES  
AN EQUAL EMPLOYMENT OPPORTUNITY-AFFIRMATIVE ACTION EMPLOYER  
2600 Wilshire Boulevard • Los Angeles, California 90057 • (213) 252-2500  
[www.hacla.org](http://www.hacla.org) TTY (213) 252-5313

BOARD OF COMMISSIONERS  
BEATRIZ O. STOTZER, Chairperson

PRESIDENT AND CLO  
RUDOLF C. MONTIEL

July 28, 2010

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

RE: Employer Code: 0569  
Job Number P09-023

Dear Ms. Junker:

We take this opportunity to thank you for allowing the Housing Authority of the City of Los Angeles to respond to the Draft Audit report dated April 20, 2010, and to provide you with additional information as to what corrective actions we have implemented or are investigating for future implementation.

**1) Employer Paid Member Contributions (EPMC) was incorrectly paid for one sampled employee.**

This matter is pending review with the City Attorney's office for corrective action remediation as it is directly tied to terms and conditions of an employment contract.

**2) Special Compensation (POST certification and education) was incorrectly reported.**

The Housing Authority has stopped the special contributions for POST CERT. This is in line with CAL PERS' recommendation.

**3) Pay rate was incorrectly reported for one individual in our sample.**

We disagree with this finding. A salary schedule is being created for the various bargaining units to comply with all the various Memorandum of Understanding's. There is a clause in the various M.O.U'S for supervisors to be paid a certain percentage above the highest paid subordinate. This is publicly available salary information and is traceable to the corresponding position/classification.

**4) Retirement Contributions were not remitted timely.**

The Housing Authority previously reported payroll information to PERS via tape and under such reporting method information is to be submitted to PERS within

To: Ms. Margaret Junker, Interim-Chief Auditor  
RE: Employer Code: 0569, Job Number P09-023

July 28, 2010

30 days. When the Housing Authority changed to the Electronic Fund Transfer reporting method, we were not aware of the 15 day deadline. In 2009 the Housing Authority learned of the different due date and established procedures to send the payroll file to CAL PERS no later than 15 days. *This is in line with CAL PERS' recommendation.*

**5) Temporary/part-time employees were not enrolled in CalPERS membership.**

HACLA has put in place protocol for determining eligibility in PERs for both Temp Agency and Casual employees. We have created a special (Temp Agency/Casual) new hire excel spread sheet on the internal network to track the hours worked for the specified new hires to ensure the timely enrollment of membership.

**6) Industrial Disability Retirement (IDR) determination was not made timely.**

HACLA has put in place protocol for submitting Industrial Disability Retirement (IDR) Application at conclusion of ADA interactive process when Workers' Compensation claim is associated with the IDR.

**7) Required health enrollment forms were not maintained.**

HACLA was not filling out a HBD 12 A along with the HBD 12 health enrollment forms; however, HACLA has begun to acquire an HBD 12 A for all current participants. *This is in line with CAL PERS' recommendation.*

**8) Eligibility verification for dependents enrolled in CalPERS health benefits program was not provided.**

HACLA had unsigned HBD 12 and a missing document on a transaction. All signatures and forms have been acquired. *This is in line with CAL PERS' recommendation.*

**9) Health contribution payments were not remitted timely.**

HACLA acknowledges that during the audit period (July 2006 through June 2009) that due to staff shortages and year-end payroll and tax filing workloads, the following payments were not remitted timely:

- Health Insurance payment for June 2009:
  - check issued date 6/16/2009
  - due date 6/10/2009
- Health Insurance payment for December 2008:
  - check issued date 12/16/2008
  - due date 12/10/2008

To: Ms. Margaret Junker, Interim-Chief Auditor  
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July 28, 2010

- o Health Insurance payment for June 2008:
  - check issued date 6/12/2008
  - due date 6/10/2008
- o Health Insurance payment for December 2007:
  - check issued date 12/11/2007
  - due date 12/10/2007

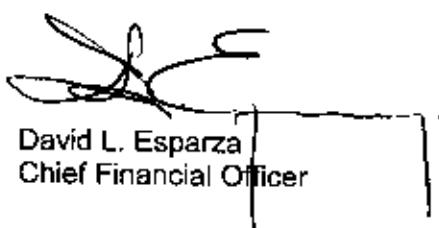
HACLA has adopted a procedure to remit payments within seven (7) days of received billings and any reconciled item is reported on the following month. *This is in line with CAL PERS' recommendation.*

**10) Required ACES user forms were not maintained.**

The previous employee in charge was out on leave and we were unable to locate the ACS User Security file. A new file has been created and kept in a secured location. *This is in line with CAL PERS' recommendation.*

Please contact me at 213/252-1818 with any questions.

Sincerely,



David L. Esparza  
Chief Financial Officer