

# **Office of Audit Services**



## **Public Agency Review**

### **March Joint Powers Authority**

**Employer Code: 1711  
CalPERS ID: 1213002505  
Job Number: P13-039**

**July 2014**



California Public Employees' Retirement System  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701  
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July 18, 2014

Employer Code: 1711  
CalPERS ID: 1213002505  
Job Number: P13-039

March Joint Powers Authority  
Lori Stone, Executive Director  
23555 Meyer Dr.  
Riverside CA, 92518

Dear Ms. Stone:

Enclosed is our final report on the results of the public agency review completed for the March Joint Powers Authority (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 and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Phyllis Miller  
PHYLLIS MILLER, Acting Chief  
Office of Audit Services

Enclosure

cc: Authority Commissioners, March JPA  
Risk and Audit Committee Members, CalPERS  
Matthew G. Jacob, General Counsel, CalPERS  
Renee Ostrander, Assistant Chief, CASD, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Ellen Stephens, Finance Manager, March JPA  
Danielle Wheeler, Assistant Director, March JPA

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## RESULTS IN BRIEF

The primary objective of our review was to determine whether the March Joint Powers Authority (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.

- The Agency incorrectly reported a retroactive salary adjustment.
- The Agency reported an incorrect amount of regular earnings.

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 May 1, 1997 to provide retirement benefits for local miscellaneous employees and local firefighters. 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 2013-2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as 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, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted on February 12, 2014. The review objectives and a summary of the procedures performed are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency incorrectly reported a retroactive salary adjustment.

***Condition:***

The Agency incorrectly reported a retroactive salary adjustment for an employee in the pay period ending April 29, 2013. The Agency approved a salary increase for the employee on May 1, 2013 retroactive to January 1, 2013. However, the Agency reported the adjustment in my|CalPERS with a start date of April 16, 2013 and an end date of April 29, 2013. Additionally, the Agency reported an incorrect daily payrate of \$258.31 for the employee. Because the annual salary was increased to \$206,314.00, the Agency should have reported a daily payrate of \$793.52.

***Recommendation:***

The Agency should work with CalPERS Customer Account Services Division (CASD) to ensure payrates are correctly reported.

The Agency should work with CASD to determine the impact of this reporting error and make the necessary adjustments pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20120, § 20121, § 20160, § 20630(b), § 20636(b)(1)

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**2:** The Agency reported an incorrect amount of regular earnings.

***Condition:***

For the same employee and pay period discussed in Finding 1, the Agency reported incorrect bi-weekly earnings of \$8,893.50, but should have instead reported \$7,935.15 to reflect the new annual salary of \$206,314.00.

***Recommendation:***

The Agency should ensure that the correct amount of regular earnings is reported.

The Agency should work with CASD to assess the impact of the incorrect reporting issue and make the necessary adjustments pursuant to Government Code Section 20160.

***Criteria:***

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

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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix 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 finding and conclusion 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, California Code of Regulations.

Respectfully submitted,

Original signed by Phyllis Miller

PHYLLIS MILLER, CPA, CIA

Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Alan Feblowitz, CFE, Manager  
Jose Martinez, Auditor  
Antonio Madrigal Jr., Auditor

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# APPENDIX A

## OBJECTIVES



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## 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 covers the period of July 1, 2010 through June 30, 2013. 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:
  - Provisions of the contract and contract amendments between the Agency and CalPERS
  - Correspondence files maintained at CalPERS
  - Agency Commission minutes and Agency Commission resolutions
  - Agency written labor policies and agreements
  - Agency salary, wage and benefit agreements including applicable resolutions
  - Agency personnel records and employee hours worked records
  - Agency payroll information including Contribution Detail Transaction History reports
  - Other documents used to specify payrate, special compensation, and benefits for all employees
  - 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 meeting laws.

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- ✓ Reviewed CalPERS listing 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 960 hours were worked in a fiscal year.
- ✓ 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.

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**APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**

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July 9, 2014

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

RE: Draft Audit Results

Dear Ms. Junker,

The March Joint Powers Authority has no objections to the findings made by the Office of Audit Services as a result of its audit conducted on February 12, 2014. I would like to note that the Authority's staff has worked closely with the CalPERS Customer Account Services Division to fix the incorrectly reported information and will continue to consult them with any questions going forward.

If you require any additional information, please do not hesitate to contact me directly at 951-656-7000.

Sincerely,

Lori M. Stone  
Executive Director