

Office of Audit Services



Public Agency Review

San Francisco City and County Housing Authority

**Employer Code: 0448
CalPERS ID: 5837182027
Job Number: P13-029**

May 2014



California Public Employees' Retirement System
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May 30, 2014

Employer Code: 0448
CalPERS ID: 5837182027
Job Number: P13-029

San Francisco City and County Housing Authority
Attn: Phyllis Moore-Lewis, Acting Human Resources Director
1815 Egbert Ave
San Francisco, CA 94124

Dear Ms. Moore-Lewis:

Enclosed is our final report on the results of the public agency review completed for the San Francisco City and County Housing Authority (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 5. We appreciate the additional information regarding Finding 5 that you provided in your response; however, after consideration of this information, our recommendation remains as stated 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 Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Board of Commissioners, San Francisco City and County Housing Authority
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the San Francisco City and County Housing 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's pay schedules did not meet all of the requirements of the CCR.
- The Agency reported incorrect payroll information.
- The Agency did not report special compensation in accordance with applicable Government Code sections and the CCR.
- The Agency did not enroll temporary/part-time employees into membership as required.
- The Agency did not report unused sick leave as required.

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 to provide retirement and health benefits for local miscellaneous employees and local police officers effective on March 1, 1961 with the most recent amendment effective June 15, 2001. 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 these processes relate 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 from October 30, 2013 through October 31, 2013. 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's pay schedules did not meet all the requirements of the CCR.

Condition:

The Agency's pay schedules were not approved by the Agency's governing body, did not include the payrate for each position, and did not identify all position titles. 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 the purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. According to CCR section 570.5, a pay schedule must, among other things:

- 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.
- Not reference another document in lieu of disclosing the payrate.

Recommendation:

The Agency should ensure its pay schedules meet all the CCR requirements.

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

Criteria:

Government Codes: § 20160, § 20636(b)(1), § 20636(d)
CCR: § 570.5

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2: The Agency reported incorrect payroll information.

Condition:

The Agency reported incorrect payrate and payrate types for three employees. In one instance, the Agency reported an incorrect payrate type as hourly instead of monthly for the fiscal year 2012/2013 pay period. In other instances, the payrate amounts listed as monthly were incorrect and did not agree with the Agency's pay schedules.

Recommendation:

The Agency should ensure payrate and payrate types are correctly reported to CalPERS.

The Agency should work with CASD to determine the impact of the incorrect reporting, if any, and make the necessary adjustments to member accounts pursuant to Government Code section 20160.

Criteria:

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

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3: The Agency did not correctly report special compensation as required.

Condition:

- A. The Agency did not report the monetary value of uniforms as required by the CCR. The Agency purchased uniforms required for the Maintenance Generalist employees. The monetary value of uniforms is a statutory item of special compensation that is required to be reported to CalPERS. In addition, the Agency's labor agreement included a provision to provide uniforms but did not specify the amount and approval by the Agency's governing body. The Agency had a similar finding in a prior CalPERS review dated January 2002.

- B. The Agency incorrectly reported special compensation of Bilingual Pay with base payrate and regular earnings for two employees during the pay period ending June 30, 2013. Pursuant to CCR section 571, Bilingual Pay is defined and listed as special compensation and should be reported separately to CalPERS. In addition, the Agency's labor agreement included a provision to provide Bilingual Pay but did not specify the amount and approval by the Agency's governing body.

- C. The Agency incorrectly reported the value of Employer Paid Member Contributions (EPMC) as special compensation for three employees in the pay period ending June 30, 2013. The Agency did not have a resolution to pay and report the value of EPMC, and therefore should not have reported the value of EPMC.

Reportable special compensation is exclusively listed and defined in the CCR section 571. Reportable special compensation is required to be contained in a written labor policy or agreement, available to all members in a group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, historically consistent with prior payments for the job classification, not paid exclusively in the final compensation period, not final settlement pay, and not creating an unfunded liability over and above CalPERS actuarial assumptions.

Recommendation:

The Agency should report the monetary value of uniforms as special compensation.

The Agency should ensure written labor agreements indicate the monetary value and condition of payment for special compensation items and are approved by the Agency's governing body.

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The Agency should report special compensation items separate from base payrate and regular earnings.

The Agency should discontinue reporting EPMC.

The Agency should work with CASD to determine the impact of incorrect reporting and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636(b)(1), § 20636(c)(1), § 20636(c), § 20691
CCR: § 571

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4: The Agency did not enroll eligible temporary/part-time employees into membership.

Condition:

The Agency did not enroll temporary/part-time employees when membership eligibility requirements were met. Specifically, OAS identified eight employees who worked more than 1,000 hours in fiscal year 2012/2013 that were not enrolled. The employees worked between 1,032 to 1,351.54 hours in the fiscal year. Government Code section 20305 requires employees who complete 1,000 hours within a fiscal year to be enrolled into membership 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.

Recommendation:

The Agency should monitor the hours worked by temporary/part-time employees to ensure employees are enrolled timely when membership eligibility requirements are met.

The Agency should work with CASD to assess the impact and make any necessary adjustments to eligible employee accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20044, § 20160, § 20305(a)(3)(B)

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5: The Agency did not report unused sick leave.

Condition:

The Agency did not report the balance of unused sick leave for one retiree. Although at the time of retirement, the retiring member had a balance of 1,492.42 hours or 186.55 days of unused sick leave, the Agency did not report any unused sick leave to CalPERS. Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. When advised of the non-reporting of unused sick leave, the Agency immediately reported this balance to CalPERS.

Recommendation:

The Agency should ensure the amount of unused sick leave credit for retiring members is certified to CalPERS.

Criteria:

Government Codes: § 20160, § 20965

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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 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, California Code of Regulations.

Respectfully submitted,

Original signed by Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Manager
Alan Feblowitz, CFE, Manager
Nuntawan Camyre, Auditor

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 Board minutes and Agency Board 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.

APPENDIX B

AGENCY RESPONSE



April 30, 2014
Via Email Only

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

SUBJECT: DRAFT AUDIT REPORT – EMPLOYER CODE 0448;
CalPERS ID: 5837182027

Dear Ms. Junker:

This represents the San Francisco City and County Housing Authority's (Authority) response to your March 5, 2013 draft audit report. Thank you for providing us the opportunity to respond to your findings and subsequent recommendations.

The audit conducted by CalPERS was very informative in pointing out areas of improvement in our human resources and payroll reporting systems. Although we agree with the majority of the recommendations in the draft report and have begun corrective measures, we nevertheless have provided responses to each finding.

Finding 1: The Agency's pay schedules did not meet all the requirements of the CCR.

Response: The pay schedule is posted on our publicly accessible website and does include pay rates. New classifications were created and unfortunately at the time of the review, had not been added to the public pay schedules but were included on the pay schedules maintained for internal use. The Authority will ensure that its governing body adopts the pay schedules which will include all positions and pay rates and that they're prominently posted.

Finding 2: The Agency reported incorrect payroll information.

Response: The Authority confirmed that the actual salary was paid correctly; however, when the information was uploaded to CalPERS, it was not entered correctly. The Authority has independently determined that there was no impact, but will work with CASD to confirm and make any necessary adjustments.

Finding 3: The Agency did not correctly report special compensation as required.

Response: The Authority was unaware of the different reporting requirements for special compensation and will report it correctly in the future. Additionally, the Authority will work closely with CASD as recommended to correct this issue.

Finding 3B: The Agency incorrectly reported Bilingual Pay with base payrate and regular earnings.

Response: The Authority was not aware of the reporting requirements for special compensation and will address the issue of monetary value and condition of payment for special compensation during its next collective bargaining session in 2015. The Authority has corrected the reporting and will work with CASD on necessary account adjustments.

Finding 3C: The Authority incorrectly reported EPMC without an approved resolution.

Response: The Authority will review its resolutions on file with CalPERS and determine whether amendments are necessary to address this issue.

Finding 4: The Agency did not enroll temporary/part time employees into membership.

Response: The Authority has commenced tracking all work hours for temporary/part-time employees to ensure that they are enrolled timely in CalPERS membership. We agree with this recommendation and will work with CASD as recommended to assess impact.

Finding 5: The Agency did not report unused sick leave.

Response: We disagree with this finding because we were not aware that the employee had retired. The Authority is aware that the balance of unused sick leave is reportable to CalPERS. However, in this circumstance, the member was terminated from employment and failed to notify the Authority that he elected to retire. The unused sick leave balance was reported to CalPERS as soon as we received notification from CalPERS as indicated in the draft report. Implementation of the myCalPERS system has made it easier for employers to report unused sick leave balances.

Thank you for the giving the Authority an opportunity to respond to the draft report. Please contact me at (415) 715-3108 if you have any questions.

Sincerely,



Phyllis Moore-Lewis
Acting Human Resources Director