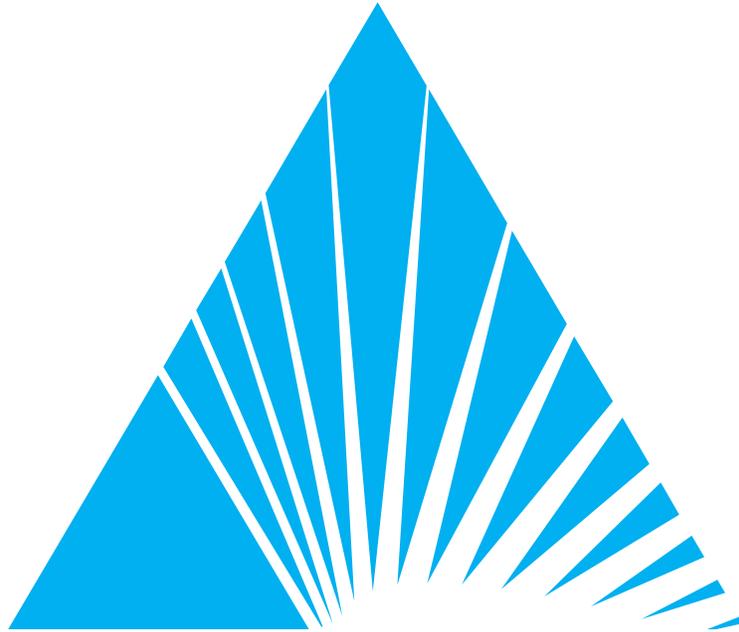


Office of Audit Services



CalPERS

Public Agency Review

City/County Association of Governments of San Mateo County

**CalPERS ID: 7895043818
Job Number: P13-011**

January 2014



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (877) 249-7442
(916) 795-0802 phone, (916) 795-7836 fax
www.calpers.ca.gov

January 24, 2014

CalPERS ID: 7895043818
Job Number: P13-011

City/County Association of Governments of San Mateo County
Sandy Wong, Executive Director
555 County Center, FL 5
Redwood City, CA 94063-1665

Dear Ms. Wong:

Enclosed is our final report on the results of the public agency review completed for the City/County Association of Governments of San Mateo County (Agency). Your written response, included as an appendix to the report, indicates general 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 Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Board, City/County Association of Governments of San Mateo County
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the City/County Association of Governments of San Mateo 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 three of this report.

- The Agency did not list payrates in a public pay schedule.
- The value of Employer Paid Member Contribution (EPMC) was incorrectly reported.

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 12, 2012 to provide retirement benefits for local miscellaneous employees. By way of its agreement with CalPERS, the Agency agreed to be bound by the terms of its contract, and the Public Employees Retirement Law (PERL). The Agency agreed to make its employees members of CalPERS subject to the provisions of 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 records and processes from July 1, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted from August 5, 2013 through August 6, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: Payrates were not listed in a publicly available pay schedule.

Condition:

The Agency did not have pay schedules. OAS reviewed the reported payrates and payrate information for two employees in the first pay period in June 2013 to determine whether the payrates were properly approved and listed in a publicly available pay schedule. The Agency did not have publicly available pay schedules during our review period. Instead, the Agency had a contract for the Executive Director and a memorandum addressing the salary range and increases for the other employee.

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

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Recommendation:

The Agency should ensure employee payrates are contained within a publicly available pay schedule that meets all CCR requirements.

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

Criteria:

Government Codes: § 20160, §20630, § 20636(b)(1), § 20636(d)
CCR: § 570.5

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2: The Agency incorrectly reported the value of Employer Paid Member Contributions (EPMC).

Condition:

The Agency incorrectly reported the value of EPMC for one employee to CalPERS. The value of EPMC was not reportable as special compensation because it was not listed in a written labor policy. The value of EPMC is not reportable as special compensation to CalPERS unless it is contained in a written labor policy, available to all members in the 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 and not final settlement pay.

Recommendation:

The Agency should discontinue reporting the value of EPMC to CalPERS as special compensation.

The Agency should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to member's account pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636(c)(1), (C)(2)
CCR: § 571(a - d)

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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

Date: January 2014

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Manager
Melvin Lanse, CPA, CIA
Adeeb Alzanoon

**CITY/COUNTY ASSOCIATION OF GOVERNMENTS
OF SAN MATEO COUNTY**

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

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

- ✓ Reviewed CalPERS contribution detail 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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OF SAN MATEO COUNTY**

APPENDIX B

AGENCY'S WRITTEN RESPONSE

C/CAG

CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY

Atherton • Belmont • Brisbane • Burlingame • Colma • Daly City • East Palo Alto • Foster City • Half Moon Bay • Hillsborough • Menlo Park • Millbrae
• Pacifica • Portola Valley • Redwood City • San Bruno • San Carlos • San Mateo • San Mateo County • South San Francisco • Woodside

December 17, 2013

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

Dear Ms. Junker,

Thank you for your letter dated November 15, 2013. Also thanks to your staff for extending the response due date to December 19, 2013.

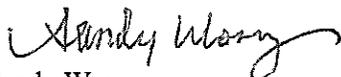
I have reviewed the draft audit report. I am in general agreement with the principle of the two audit findings. However, I would like to request for an opportunity to work with the appropriate CalPERS divisions to explore workable solutions to resolve issues identified in the draft audit report.

It is important to City/County Association of Governments of San Mateo County (C/CAG) to be in compliance with applicable sections of the California Government Code, California Code of Regulations (CCR), and its contract with CalPERS.

With regard to Finding #1, we have recently published the employee payrates on the C/CAG website and therefore made it publicly available. With regard to Finding #2, due to the unique situation of C/CAG with a total of two employees, we would like to discuss with the appropriate CalPERS division staff to achieve a satisfactory solution and be in compliance with applicable sections of the California Government Code, CCR, and our contract.

Please feel free to contact me for further information at (650) 599-1409. I look forward to working with CalPERS to resolve the findings so that C/CAG will be in compliance.

Sincerely,



Sandy Wong
Executive Director

CC: Anthony Suine, Chief, BNSD, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Adeeb Alzanon, Staff Program Evaluator, CalPERS (transmitted electronically)