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July 19, 2010

Employer Code: 0093
Job Number: P09-018

City of South San Francisco
Susie Choi, Financial Services Supervisor
PO Box 711
South San Francisco, CA 94083

Dear Ms. Choi:

Enclosed is our final report on the results of the public agency review completed for the City of South San Francisco. Your agency's written response indicates agreement with the issues noted in the report except for not timely enrolling temporary part-time employees into membership and the use of the hourly exclusion in the City's contract. 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.

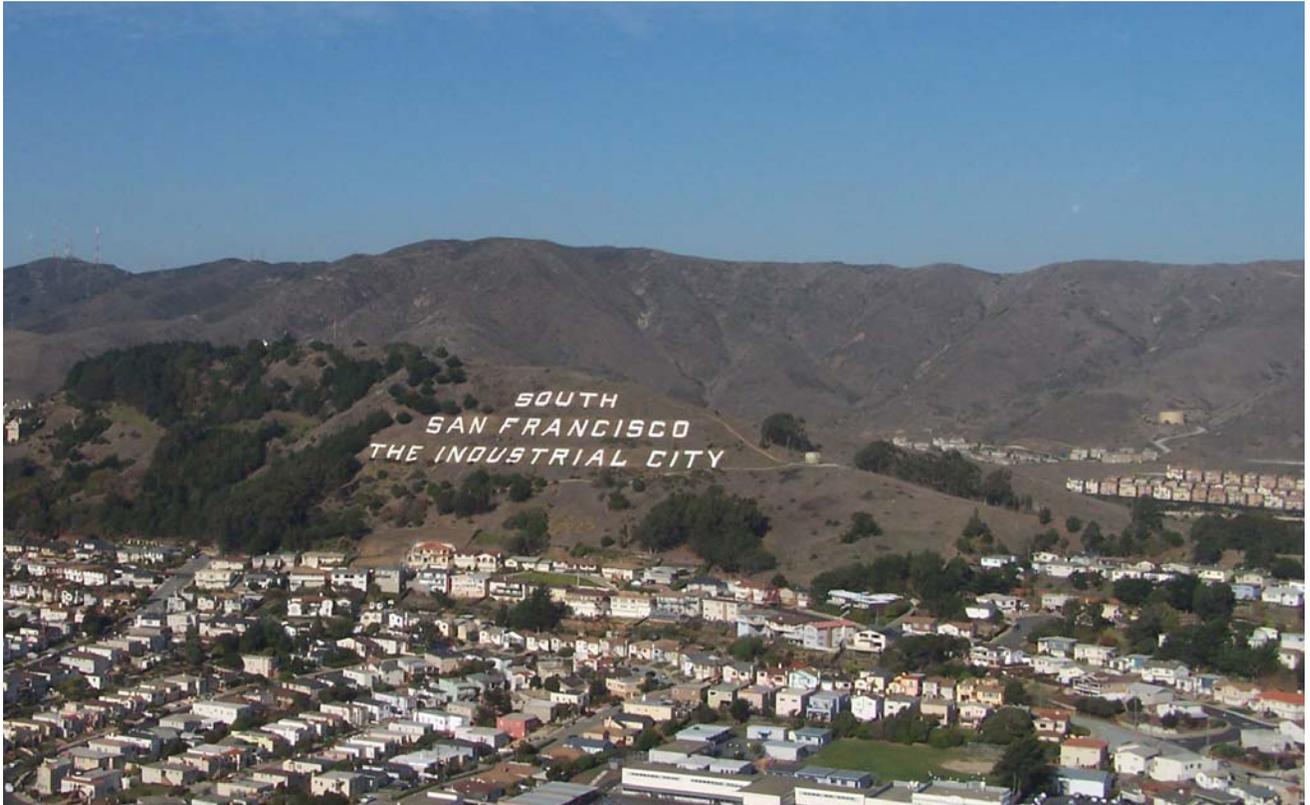
Sincerely,

Original Signed by Margaret Junker
MARGARET JUNKER, CIA, CPA
Interim Chief Auditor, 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
Honorable Councilmembers, City of South San Francisco
Jim Steele, Director of Finance, City of South San Francisco
Kathy Mount, Human Resources Director, City of South San Francisco

City of South San Francisco



Public Agency Review



CaIPERS
Office of Audit Services

Employer Code: 0093
Job Number: P09-018

July 2010

CITY OF SOUTH SAN FRANCISCO

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CITY OF SOUTH SAN FRANCISCO

RESULTS IN BRIEF

We reviewed the City of South San Francisco's (City) enrolled individuals' retirement contributions, member earnings and required 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:

- The monetary value of uniforms provided to maintenance employees was not reported.
- Non-reportable compensation was reported.
- Retroactive pay adjustments were incorrectly reported.
- Payroll information was not submitted timely.
- Eligible temporary/part-time employees were not enrolled in CalPERS membership.
- Unused sick leave for two sampled retirees was not correctly reported.
- A required ACES user security document was 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 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

CITY OF SOUTH SAN FRANCISCO

consecutive years of employment (one year for all state and school members and public agency members with the one-year final compensation as a contract provision) unless the member elects a different period with a higher average.

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 City of South San Francisco was incorporated and became a general law city of the State of California on September 19, 1908. The form of government is the Council-Manager plan. The Council is composed of a Mayor and four Council Members who are elected at large. Each Council Member serves a term of four years, with a rotating Mayor chosen by majority vote of the Council, for a term of one year. The City Manager is the administrative head of the government of the City, under the direction of the City Council. The offices of City Clerk and City Treasurer are elected. The City Attorney is appointed by the City Council.

The City contracted with CalPERS effective September 1, 1945, to provide retirement benefits for all employees. The City's current contract amendment identifies the length of the final compensation period as one year for all coverage groups.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the City's payroll reporting and enrollment processes as these processes relate to the City's retirement contract with CalPERS. The objective of this review was limited to the determination that the City 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 was conducted on July 9, 2009 through July 12, 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:

CITY OF SOUTH SAN FRANCISCO

- ✓ Reviewed the contract and subsequent amendments the City had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the City had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the City's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the City's payroll register with the data reported to CalPERS to determine whether the City correctly reported employees' compensation.
- ✓ Reviewed the City's payroll information reported to CalPERS for the sampled employees to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the City'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 City's enrollment practices pertaining to temporary employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the City's classification of employees to determine whether the City reported employees in the appropriate coverage groups.
- ✓ Reviewed the City's process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the City's calculation and reporting of unused sick leave balances for retiring employees.
- ✓ Determined whether the City 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
<p>1. The City may not accurately report compensation to CalPERS.</p>	<p>Compensation reported to CalPERS was reviewed for a sample of 20 employees over two service periods. The service periods reviewed were the first service period of December 2008 (12/08-3) and the second service period of May 2009 (05/09-4).</p> <p>The earnings reported to CalPERS were reconciled to the City's payroll records. The City accurately reported compensation to CalPERS for the employees in our sample, with the following exceptions:</p> <p><u>Uniform Allowance</u></p> <p>The City provided and required employees that work in either the Public Works or the Parks and Recreation departments to wear non-safety related uniforms. The City did not report the value of the uniforms or the value of maintaining those uniforms. We also found that the uniform allowance provided to non-safety employees, a statutory item of compensation, was not contained in a written labor policy or agreement.</p>	<p>The City should immediately begin reporting the monetary value of the purchase, rental, and maintenance of uniforms for all employees required to wear uniforms, and ensure that all special compensation is contained in a written labor policy or agreement.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>Government Code, § 20636(c)(6), states, in part, “The board shall promulgate regulations that delineate more specifically and exclusively what constitutes ‘special compensation’ as used in this section. A uniform allowance, the monetary value of employer-provided uniforms... shall be included as special compensation.”</p> <p>California Code of Regulations, § 571(a)(5) defines uniform allowance as “...compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.”</p> <p><u>Non-reportable Compensation Reported</u></p> <p>The City incorrectly reported special compensation for three employees. Specifically, the City incorrectly added regular earnings with shift holiday pay prior to calculating bilingual, educational incentive, and longevity pay amounts. Special compensation calculated on shift holiday pay is not reportable as special compensation unless it included in a written labor policy or agreement.</p>	<p>The City should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p> <p>The City should stop reporting special compensation that is not included in a written labor policy or agreement.</p> <p>The City should work with CalPERS ERSD to assess the</p>

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>California Code of Regulations, § 571(a), exclusively identifies and defines special compensation items for members employed by contracting agency and school employers that must be reported to CalPERS if they are contained in a written labor policy or agreement.</p> <p><u>Retroactive Adjustments Incorrectly Reported</u></p> <p>The City reported prior period adjustments for two of the sampled employees' earnings, but failed to report the adjustments on the special compensation.</p> <ul style="list-style-type: none"> ➤ In service period 12/09-3, the City reported non-reportable compensation and corresponding longevity pay for one employee. The non-reportable compensation was subsequently corrected in the 04/09-4 report, but the corresponding longevity pay was not. The City should have reversed out \$30.13 of longevity pay. ➤ In service period 12/09-3, the City reported additional earnings from a prior period but failed to report the 	<p>impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report was sent to the City and CalPERS ERSD as an appendix to our draft report.</p> <p>The City should ensure that retroactive salary adjustments are reported in accordance with the CalPERS Procedures Manual.</p> <p>The City 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 employees mentioned in this</p>

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>correlating longevity pay. The City should have reported additional longevity pay of \$18.65.</p> <p>Government Code, § 20636, states, in part, "(a) Compensation earnable by a member means the payrate and special compensation of the member... (b)(1) 'Payrate' means 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, pursuant to publicly available pay schedules... (c)(1) Special compensation of a member includes a payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions. (3) Special compensation shall be for services rendered during normal working hours and, when reported to the board, the employer shall identify the pay period in which the special compensation was earned."</p>	<p>section of the report was sent to the City and CalPERS ERSD as an appendix to our draft report.</p>
<p>2. The City may not report payrates in accordance with publicly available salary schedules.</p>	<p>Payrates reported to CalPERS in the 5/09-4 service period for a sample of 19 employees were reconciled to City public salary schedules. The sampled employees' payrates were properly authorized and reported in accordance with publicly available salary information.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The City may not accurately report payroll information to CalPERS.</p>	<p>Payroll information reported to CalPERS was reviewed for the 12/08-3 and 05/09-4 service periods. The City correctly reported the payroll information to CalPERS.</p>	<p>None.</p>
<p>4. The City may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>Service periods 8/08-3, 12/08-3, and 5/09-4 were reviewed to determine if payroll summary reports and retirement contribution payments were submitted to CalPERS within required timeframes.</p> <p>Retirement contributions were remitted timely to CalPERS for all three sampled service periods; however, the 8/08-3 service period ended on August 7, 2008 and the summary report was due on September 6, 2008, but was received by CalPERS 17 days late on September 23, 2008.</p> <p>In addition, CalPERS ERSD reported that the City had submitted payroll reports late on 20 other occasions during the review period.</p> <p>California Code of Regulations § 565.1 (a) and (b) state, in pertinent part, "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>	<p>The City should implement procedures to ensure summary reports are submitted timely to CalPERS.</p> <p>The City should work with CalPERS ERSD to assess the impact of late payroll reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Optional Membership</u></p> <p>The City’s elected officials were eligible for optional CalPERS membership. We reviewed the City’s enrollment practices to determine whether the elected officials were offered optional membership. Our sample testing revealed that the City properly offered and enrolled the sampled officials into CalPERS membership.</p> <p><u>Excluded Employees</u></p> <p>The City amended its membership contract to include the following language, “Persons who are compensated on an hourly basis who are employed January 1, 1963 or after are excluded from membership.” Furthermore, the City provided a letter defining the positions that the hourly exclusion applies to as, “Employees who work 20 hours per week or less than 6 months are excluded from membership. If these employees later exceed the hours cap within a fiscal year, they are brought into membership. These employees are referred to as hourly or casual positions.”</p> <p><u>Temporary/Part-time Employees</u></p> <p>A sample of 12 temporary/part-time employees was</p>	<p>None.</p> <p>The City should immediately enroll temporary/part-time employees into CalPERS membership when they have reached the membership eligibility criteria.</p> <p>The City should work with CalPERS ERSD to assess the impact of these membership issues and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this</p>

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>selected for review including five employees that were hired through temporary employment agencies. The hours worked in fiscal year 2007/2008 were examined to determine whether the employees exceeded the 1,000 hour membership eligibility criterion. Four of the sampled employees worked more than 1,000 hours in fiscal year 2007/2008 but were not enrolled into membership.</p> <ul style="list-style-type: none"> ➤ One employee worked 1,542.75 hours in fiscal year 2007/2008. This employee reached the 1,000 hour membership eligibility criterion during the March 9, 2008 pay period. ➤ One employee worked 1,095 hours in fiscal year 2007/2008. This employee reached the 1,000 hour membership eligibility criterion during the January 13, 2008 pay period. ➤ One employee worked 1,124 hours in fiscal year 2007/2008. This employee reached the 1,000 hour membership eligibility criterion during the May 18, 2008 pay period. ➤ The final employee worked 1,372.5 hours in fiscal year 07/08. This employee reached the 1,000 hour membership eligibility criterion during the month of 	<p>section of the report has been sent to the City and CalPERS ERSD as an appendix to our draft report.</p>

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>April 2008, but was not enrolled until June 2008. He should have been enrolled no later than the first pay period in May 2008.</p> <p>The City's contract has a clause that excludes "persons who are compensated on an hourly basis" from membership. The City interpreted the hourly exclusion as follows: "We use less than 20 hours or 6 months. If these employees later exceed the hours cap within the fiscal year, they are brought in PERS....Casuals or Hourly employees are only brought in if they exceed 1,000 hours."</p> <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 more than 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>CalPERS Procedure Manual, (pg 26) states, "Qualification for membership is reached when the person works 1,000 hours in a fiscal year (if paid on other than a per diem basis). Any overtime hours worked are counted toward these 1,000 hours... In cases where employees qualify based on completing 1,000 hours or 125 days,</p>	

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>membership becomes effective no later than the first day of the first pay period of the month following the month in which 1,000 hours or 125 days were completed...”</p> <p>Government Code, § 20044, defines a fiscal year as, “Any year commencing July 1st and ending June 30th next following.”</p> <p><u>Independent Contractor</u></p> <p>The City’s IRS 1099 Miscellaneous Income forms for calendar years 2006 and 2007 were reviewed in order to identify employees that may be misclassified as independent contractors. One individual met the selection criteria, and was chosen for further review. The selected individual was properly classified as an independent contractor and appropriately excluded from CalPERS membership.</p>	<p>None.</p>
<p>6. The City may unlawfully employ retired annuitants.</p>	<p>The hours worked in fiscal year 2006/2007 for 15 retired annuitants were reviewed. Our sample testing revealed that the retired annuitants did not exceed the 960-hour threshold. Also, a bona fide separation from employment, per Government Code Section 21220.5, was not needed as the sampled retired annuitants’ ages at retirement were beyond the normal retirement age.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
7. The City may not appropriately report members under the proper coverage group.	Our sample testing revealed that the City reported individuals under the appropriate coverage group.	None.
8. The City may not accurately report unused sick leave balances for retiring CalPERS members.	<p>Unused sick leave was reviewed for 10 sampled retirees. The sick leave balances were accurately converted to days and reported upon retirement for eight of the retirees sampled. However, unused sick leave was not accurately reported for two retirees in our sample.</p> <ul style="list-style-type: none"> ➤ One retiree accrued 714.35 hours of unused sick leave prior to retirement, and the City certified 89.294 days of unused sick leave. However, the retiree cashed out 50% of the hours leaving a balance of 357.17 hours which equated to 44.648 days. As a result, the retiree's unused sick leave credit was over-stated by 44.648 days. CalPERS should have been informed of the subsequent cash-out to ensure the retiree received the appropriate sick leave credit in their retirement calculation. ➤ Another sampled retiree's final sick leave balance showed that he had 3,288.95 hours of unused sick leave. The City did not report this retiree's unused sick leave balance. The retiree's unused sick leave credit was understated by 411.11 days. 	<p>The City should submit corrected certification forms for the employees. An amended certification form (PERS-BSD-200) may be used to submit the corrected certification information.</p> <p>The City should work with CalPERS BNSD to assess the impact of this issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the retirees mentioned in this section of the report has been sent to the City and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>8. The City may not accurately report unused sick leave balances for retiring CalPERS members. (continued)</p>	<p>Government Code, § 20965, provides for a local miscellaneous member and local safety member of a contracting agency who has contracted for this provision, whose effective date of retirement is within four months of separation from employment, to be credited at the time of retirement with 0.004 years of service credit for each unused day of sick leave certified to the board by his employer. The certification shall report only those days of unused sick leave that were accrued by the member during the normal course of his or her employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit. Reports of unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found.</p>	
<p>9. The City may not maintain appropriate ACES security procedures.</p>	<p>Security procedures for the City's ACES users were reviewed to ensure reasonable security precautions were maintained and to determine if required security documents were properly completed and filed for ACES users. Reasonable precautions were in place to maintain the secrecy of the employees' passwords and user IDs. However, a copy of the "Employer User Security Agreement(s)" (AESD-43), for one active ACES user was not retained on file at the City. The City subsequently obtained and filed a completed AESD-43 for the active ACES user.</p>	<p>The City should ensure appropriate procedures are followed to assure the security of CalPERS' on-line inquiry system. ACES User Security Agreements should be completed for any employee who will have access to ACES and the agreements should be retained in a secure worksite location for the life of the Agreement and for two years</p>

CITY OF SOUTH SAN FRANCISCO

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The City may not maintain appropriate ACES security procedures. (continued)</p>	<p>CalPERS ACES Security procedures outlined on the CalPERS website at www.calpers.ca.gov require agencies to keep a signed copy of security documents on file for ACES users. An AESD-43 must be completed for each employee using CalPERS on-line access and be available to CalPERS upon request. 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.</p>	<p>following the deactivation or termination of the Agreement.</p> <p>The City should work with CalPERS ERSD to assess the impact of this issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this section of the report has been sent to the City and CalPERS ERSD as an appendix to our draft report.</p>

CITY OF SOUTH SAN FRANCISCO

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 City'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
Interim Chief Auditor,
Office of Audit Services

Date: July 2010

Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIDA, Manager
Chris Wall, Program Evaluator
Kesh Braeger, Associate Program Evaluator

APPENDIX A

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
CITY OF SOUTH SAN FRANCISCO EMPLOYER CODE 0093
PRIOR REVIEW P9-007, DATED JUNE 2000**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. Miscellaneous employees reported as safety.	The City should discontinue reporting these employees as safety. CalPERS Actuarial and Employer Services Division should determine the impact of this incorrect reporting and work with the City make the necessary adjustments to the member accounts.	Resolved: No miscellaneous employees were reported as safety in the current audit.
2. Unused sick leave balance reported incorrectly.	The City should review the unused sick leave balance reported for all City retirees and review for any possible discrepancies. The City should correct any instances where balances were incorrectly reported.	Unresolved: A similar finding was noted in our current report. Unused sick leave balance was incorrectly reported for two of the ten sampled employees.

Conclusion: Item #1 was resolved, however a finding similar to item #2 was found in our current review.

APPENDIX B

CITY'S WRITTEN RESPONSE



CITY COUNCIL 2010

MARK N. ADDIEGO, MAYOR
KEVIN MULLIN, VICE MAYOR
RICHARD A. GARBARINO, COUNCILMEMBER
PEDRO GONZALEZ, COUNCILMEMBER
KARYL MATSUMOTO, COUNCILMEMBER

BARRY M. NAGEL, CITY MANAGER

FINANCE DEPARTMENT
650-877-8507

May 12, 2010

Kesh Braeger
Associate Program Evaluator
CalPERS, Office of Audit Services

Hello Kesh:

Below please find the City of South San Francisco's response to the audit findings.

- 1) Monetary value of uniforms for maintenance employees not reported to PERS. The City agrees that the monetary value of the provided uniforms needs to be reported as special compensation and written into the labor agreements.
- 2) Non-reportable compensation reported. The City will review our labor agreements to ascertain that our shift holiday pay rates include all premiums.
- 3) Retroactive adjustments incorrectly reported. Employees and need longevity pay retro.
- 4) Payroll information was not submitted timely. During this period we were working on a payroll conversion and a temporary employee was handling the PERS reporting. We no longer have this issue.
- 5) Eligible temporary/part-time employees were not enrolled in CalPERS membership. All four employees were initially employed as temporary hourly employees through an employment agency. and eventually became regular fulltime employees and were enrolled in PERS at that point. and were subsequently hired as hourly City employees and pursuant to the City's contract with PERS, are exempt from enrollment in PERS. Without conceding that these individuals were common law employees, the City's position is that those employees who worked more than 1000 hours before they became City employees were nevertheless exempt

May 12, 2010

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from enrollment in PERS because they were akin to hourly employees while working for the employment agency, and hourly employees are not required to be enrolled in PERS per the City's contract with PERS.

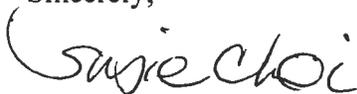
6) Unused sick leave for two sampled retirees was not correctly reported. On _____, Finance made an error which has been corrected. _____ separation was initially a dismissal and was an unusual circumstance. His hours were later reported as sick days for service credit.

7) A required ACES user security document was not maintained. _____ attended a PERS training in Mountain View, CA on 9/19/02. She was set up as the first South San Francisco ACES user at that training. She did not receive a copy of the user form at that meeting.

In addition to the comments on item #5, HR Director _____ had sent you an email with additional information.

Please feel free to contact me with any other question or concerns regarding your review.

Sincerely,



Susie Choi
Financial Services Supervisor
City of South San Francisco

650-829-7222 x 1373