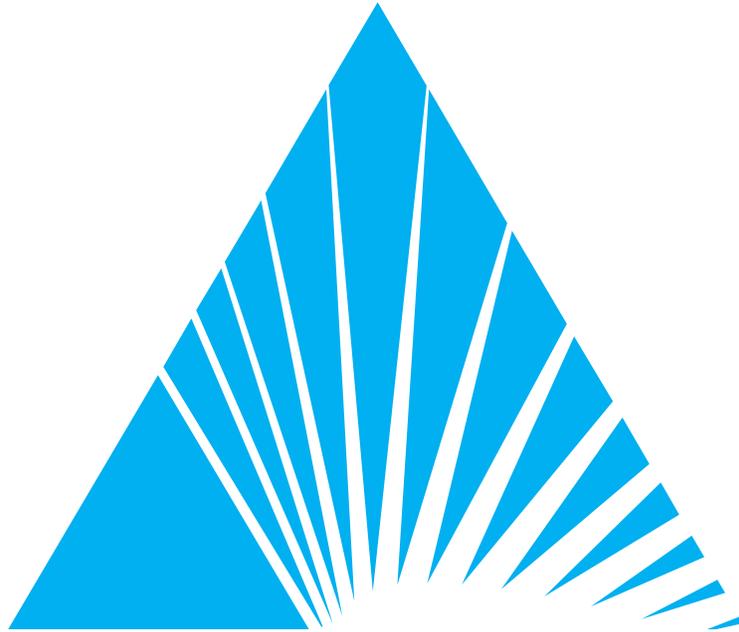


# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

## **City of Palo Alto**

**CalPERS ID: 6373437857**  
**Job Number: BI15-009**

**March 2016**



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](http://www.calpers.ca.gov)

March 24, 2016

CalPERS ID: 6373437857  
Job Number: BI15-009

Rumi Portillo, Director of Human Resources  
City of Palo Alto  
P.O. Box 10250  
Palo Alto, CA 94303

Dear Ms. Portillo:

Enclosed is our final report on the results of the public agency review completed for the City of Palo Alto (Agency). The Office of Audit Services did not identify any instances of non-compliance with areas reviewed as defined in the scope section of our report. It was our pleasure to work with your Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief  
Office of Audit Services

Enclosure

cc: City Council Members, City of Palo Alto  
Lalo Perez, Chief Financial Officer, City of Palo Alto  
Suzanne Mason, Assistant City Manager, City of Palo Alto  
Risk and Audit Committee Members, CalPERS  
Matthew G. Jacobs, General Counsel, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Renee Ostrander, Chief, EAMD, CalPERS  
Carene Carolan, Chief, MAMD, CalPERS

---

# CITY OF PALO ALTO

---

## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Conclusion .....	2
Objectives .....	Appendix A

---

# CITY OF PALO ALTO

---

## RESULTS IN BRIEF

The objective of our review was to determine whether the City of Palo Alto (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR), and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) did not identify any instances of non-compliance with reviewed sections of the Government Code, PEPRA, CCR, and the Agency's contract with CalPERS.

## SCOPE

The Agency contracted with CalPERS effective January 1, 1942 to provide retirement benefits for local miscellaneous, local police safety, and local fire safety employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and 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 CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through October 31, 2015. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

---

# CITY OF PALO ALTO

---

## 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. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract. The conclusions outlined in this report are based on the information made available or otherwise obtained at the time the report was prepared.

Respectfully submitted,

Original signed by Beliz Chappuie

---

BELIZ CHAPPUIE, CPA, MBA  
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Alan Feblowitz, CFE, Senior Manager  
Alicia Watts, Manager  
Emma Shaw, Auditor  
Michelle O'Connor, CPA, Auditor

---

**CITY OF PALO ALTO**

---

# **APPENDIX A**

## **OBJECTIVES**

---

# CITY OF PALO ALTO

---

## OBJECTIVES

The objectives of this review were limited to determine whether member information was accurate and the Agency complied with:

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting procedure prescribed in the Agency's retirement contract with CalPERS.

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

## METHODOLOGY

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 written labor policies and agreements
  - Agency salary, wage, and benefit agreements including applicable resolutions
  - Agency personnel records and employee time records
  - Agency payroll information
  - CalPERS payroll reports
  - Documents related to employee payrate and benefits
  - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payroll information reported to CalPERS and reconciled payroll records, personnel records, pay schedules, and written labor policies to determine whether the Agency correctly reported scheduled work hours, whether service credit was accurate, and whether retirement benefits were correct.