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August 1, 2010

Employer Code: 1104
Job Number: P09-031

California Interscholastic Federation, Central Coast Section
Nancy Lazenby-Blaser, Commissioner
6830 Via Del Oro, Suite 103
San Jose, CA 95119

Dear Ms. Lazenby-Blaser:

Enclosed is our final report on the results of the public agency review completed for the California Interscholastic Federation, Central Coast Section. Your agency's written response is included as an appendix to the report. We have reviewed the comments addressed in your written response; however, no changes were made to the issues noted in our 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
Chief, 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
Holly Fong, Chief, EMHS, CalPERS

California Interscholastic Federation Central Coast Section



Public Agency Review



Office of Audit Services

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CALIFORNIA INTERSCHOLASTIC FEDERATION, CENTRAL COAST SECTION

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RESULTS IN BRIEF

We reviewed the California Interscholastic Federation, Central Coast Section's (Section) enrolled individuals, health and retirement contributions, member earnings and required health, 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:

- Non-reportable items were included in the reported base payrate and regular earnings.
- Payrate was incorrectly reported.
- Payroll information was not submitted timely.
- Records were not provided to document hours worked by temporary/part-time employees.
- Records were not provided to validate the reported unused sick leave balances.
- Required health enrollment forms were not maintained.
- Required ACES user security agreement forms were 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.

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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 consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

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 Section is a nonprofit organization which facilitates sporting events between high schools in the central coast areas. The Section collects various fees from the participating schools which it uses to rent sports facilities, staff the events and provide awards. Employment agreements outline all Section employees' salaries and benefits and state the terms of employment agreed upon between the Section and its employees.

The Section contracted with CalPERS effective July 1, 1976, to provide retirement benefits for local miscellaneous employees. The Section's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The Section contracted with CalPERS effective September 1, 1981, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the Section's payroll reporting and enrollment processes as these processes relate to the Section's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the Section 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 November 16, 2009 through November 18, 2009.

The review period was limited to the examination of sampled records and processes from October 1, 2006 through September 30, 2009. To accomplish the review objectives, we performed the following:

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- ✓ Reviewed the contract and subsequent amendments the Section had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Section had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the Section's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the Section's payroll register with the data reported to CalPERS to determine whether the Section correctly reported employees' compensation.
- ✓ Reviewed the Section's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Section'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 Section's enrollment practices pertaining to temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the Section's classification of employees to determine whether the Section reported employees in the appropriate coverage groups.
- ✓ Reviewed the Section's calculation and reporting of unused sick leave balances for retiring employees.
- ✓ Reviewed employees and their dependents to determine whether the Section properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health premium payment information to determine whether the payments were remitted within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the Section contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the Section 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 Section may not accurately report compensation to CalPERS.</p>	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of five employees over service periods June 2008 and January 2009.</p> <p>The earnings reported to CalPERS were reconciled to the Section's payroll records. The Section accurately reported compensation to CalPERS for the employees in our sample, except for in the following instance:</p> <p><u>Non-Reportable Compensation</u></p> <p>The Section erroneously reported a \$500.00 medical insurance stipend for all sampled employees and a \$600.00 car allowance for three of the sampled employees in the January 2009 service period. Medical insurance stipend and car allowance do not meet the definition of reportable special compensation.</p> <p>In addition, the Section reported web design payments for one sampled employee. Specifically, the Section reported \$1,250.00 as part of the employee's base payrate and regular earnings for the period of July 2009 through</p>	<p>The Section should immediately discontinue reporting the medical insurance stipend, car allowance payments and the web design payments.</p> <p>The Section should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The Section may not accurately report compensation to CalPERS. (continued)</p>	<p>September 2009. This compensation was for work performed in addition to the employee’s regular working hours; therefore, it was not reportable compensation.</p> <p>Government Code, § 20636(c)(5), states, “The monetary value of any service or noncash advantage furnished by the employer to the member, except as expressly and specifically provided in this part, is not special compensation unless regulations promulgated by the board specifically determine that value to be special compensation.”</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...”</p> <p>Government Code, § 20630(a), states, in part, "As used in this part, ‘compensation’ means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours..."</p> <p>Government Code, § 20636(b)(1), states, in part, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the</p>	<p>A confidential list identifying the employees mentioned in this report has been sent to the Section and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The Section may not accurately report compensation to CalPERS. (continued)</p>	<p>same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules..."</p> <p>California Code of Regulations, § 571(a), states, in part, "The following list 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>2. The Section may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS and reconciled the payrates to the Section's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. Our sample test for the September 2009 service period revealed the Section correctly reported payrates for the sampled employees.</p>	<p>None.</p>
<p>3. The Section may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information reported to CalPERS for the sampled service periods June 2008 and January 2009. Our sample testing revealed that the Section correctly reported the payroll information to CalPERS except in the following instance:</p> <p>One sampled employee worked in a 10-month position. However, the employee's earnings were not reported</p>	<p>The Section should ensure that all payroll information is reported as earned.</p> <p>The Section should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments,</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The Section may not accurately report payroll information to CalPERS. (continued)</p>	<p>during the 10-month period as earned. This employee's earnings were incorrectly reported over a 12-month period throughout the year. Compensation must be report to CalPERS as earned.</p> <p>Government Code, § 20630(b), states, in part, "When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid..."</p>	<p>if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the Section and CalPERS ERSD as an appendix to our draft report.</p>
<p>4. The Section may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>CalPERS records identified 17 late payrolls over a two year period from July 2007 to June 2009. We requested the payroll information which included summary reports, CalPERS listing reports and verification of retirement contribution payments. The Section was unable to provide all of the requested documentation and advised that it does not regularly retain copies of the summary reports or CalPERS listings; therefore, we were unable to verify the dates the reports were submitted to CalPERS.</p> <p>California Code of Regulations, § 565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1(a), states, in</p>	<p>The Section should ensure that CalPERS receives contributions and payroll reports within the required timeframes and maintain copies of payroll records.</p> <p>The Section should work with CalPERS ERSD to assess the impact of the late reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The Section may fail to or did not submit payroll in a timely manner to CalPERS. (continued)</p>	<p>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>Government Code, § 22797, states, "The board or an authorized representative may perform audits of each employer and may, at a specified time and place, require the employer to provide information or make available for examination and copying books, papers, data, and records, including, but not limited to, personnel and payroll records, as deemed necessary by the board to determine compliance with the provisions of this part. The information obtained from an employer shall remain confidential."</p>	
<p>5. The Section may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Excluded Employees</u></p> <p>The contract between the Board of Administration of CalPERS and the Board of Directors of the Section excludes all local safety employees from CalPERS membership. We found the Section did not employ local safety employees during the review period.</p> <p><u>Optional Membership</u></p> <p>Elective officers who serve on a public commission, board,</p>	<p>None.</p> <p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The Section may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>council, or similar legislative or administrative body who have continuously served in office held on June 30, 1994 have optional membership rights. Elected or appointed officials elected for the first time on or after July 1, 1994 are not eligible for membership. The Section's board members are not compensated and therefore are not entitled to optional membership. We found that the District Board Members were properly excluded from membership.</p> <p><u>Temporary and/or Part-time Employees</u></p> <p>We selected a sample of two part-time employees to determine whether the employees met CalPERS membership requirements. The Section was not able to provide documentation to validate the hours worked for the two part-time employees.</p> <p>The Section provided a document that described the job duties for the part-time position. The document states, in part, "The position of Events Coordinator is an annual appointment by the CCS Commissioner. It is a part-time 10-month position (mid-August-mid-June) approximately 1/3 time. ... Most of the hours of work will be late October thru the first week in December (Fall); Early February through Mid-March (Winter) and Late</p>	<p>The Section should track and monitor the hours worked by temporary and/or part-time employees through timesheets or payroll records so actual hours worked can be verified.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the Section and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The Section may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>April -June (spring). No responsibilities at all in June, July or August.”</p> <p>The Section did not track or monitor the hours worked for the two part-time employees. We were unable to validate if the hours worked were below the 1,000 hour criterion.</p> <p>Government Code, § 22797, states, "The board or an authorized representative may perform audits of each employer and may, at a specified time and place, require the employer to provide information or make available for examination and copying books, papers, data, and records, including, but not limited to personnel and payroll records, as deemed necessary by the board to determine compliance with the provisions of this part. The information obtained from an employer shall remain confidential.”</p> <p>Government Code, §20305(a)(3)(B), states in part, “An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless: The person completes 125 days, if employed on a per diem basis or, if employed on other than a per diem basis, completes 1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The Section may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>day of first pay period of the month following the month in which 125 days or 1,000 hours of service were completed.”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the Section’s IRS 1099 Miscellaneous Income Forms for calendar years 2007 and 2008 in order to identify employees that may be misclassified as independent contractors. We did not identify any employees that met the criteria for additional testing. We determined the Section properly classified the independent contractors and correctly excluded them from CalPERS membership.</p>	<p>None.</p>
<p>6. The Section may unlawfully employ retired annuitants.</p>	<p>We reviewed the hours worked for one retired annuitant in fiscal year 2007/2008. Our sample testing revealed that the retired annuitant did not exceed the 960-hour threshold.</p> <p>We also determined that a bona fide separation from employment was not needed as the sampled retired annuitant’s age at retirement was beyond the normal retirement age.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
7. The Section may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the Section reported employees under the appropriate coverage group code.	None.
8. The Section may not accurately report unused sick leave balances for retiring CalPERS members.	<p>The Section contracted for the optional provision Government Code, § 20965 (credit for unused sick leave). During the review period the Section had one employee who retired. Unused sick leave was reviewed for this sampled employee.</p> <p>The Section certified 196.0 days of unused sick leave at retirement; however, we were unable to validate the number of unused sick leave days as the Section did not maintain balance records of unused sick leave. We also reviewed the employment agreement which stated, "Sick leave accumulated at the rate of 1 day per month, with a maximum accrual of 30 days."</p> <p>Government Code, § 20965, states, "A local miscellaneous member and local safety member, whose effective date of retirement is within four months of separation from employment with the employer which granted the sick leave credit, shall be credited at his or her retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by his or</p>	<p>The Section should track and maintain sick leave balance records to validate the unused sick leave certified to CalPERS.</p> <p>The Section should work with CalPERS BSND to determine the impact of this incorrect reporting and what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the Section and CalPERS BSND as an appendix to our draft report.</p>

CALIFORNIA INTERSCHOLASTIC FEDERATION, CENTRAL COAST SECTION

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>8. The Section may not accurately report unused sick leave balances for retiring CalPERS members. (continued)</p>	<p>her 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>Government Code, § 22797, states, "The board or an authorized representative may perform audits of each employer and may, at a specified time and place, require the employer to provide information or make available for examination and copying books, papers, data, and records, including, but not limited to, personnel and payroll records, as deemed necessary by the board to determine compliance with the provisions of this part. The information obtained from an employer shall remain confidential."</p>	
<p>9. The Section may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of five employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that of the five employees sampled, none were enrolled in the CalPERS' health benefits program. The Section did not have the Health Benefit Plan Enrollment (HBD-12) forms on file.</p>	<p>The Section must ensure that proper member and dependent enrollment documentation is on file at the Section within 60 days from the date of our final report.</p> <p>Please send an email to:</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The Section may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>In addition, we reviewed the CalPERS enrollment dates for the five sampled employees. We found that the Sections did not have the required Declaration of Health Coverage (HB-12A) forms on file for three employees hired after January 1, 1998.</p> <p>Both of these forms are required for employees who declined health benefit coverage. It is noted that all the sampled employees completed the HB-12A forms during the on-site field work.</p> <p>California Code of Regulation, § 599.500(h), states, “Register not to enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing not to be enrolled in a health benefits plan.”</p> <p>The HB-12A provides information on enrollment options and consequences for non-enrollment. The HB-12A is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes Open Enrollment changes, changing health plans when moving; adding or deleting a dependent, or canceling health</p>	<p><i>HBB_Audit_Services@calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the Section and CalPERS HBB as an appendix to our draft report.</p>

CALIFORNIA INTERSCHOLASTIC FEDERATION, CENTRAL COAST SECTION

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The Section may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the HBD-12 form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p>	
<p>10. The Section may not remit health contributions within the required timeframe.</p>	<p>We determined that the Section remitted the health contribution payments within the appropriate timeframe.</p>	<p>None.</p>
<p>11. The Section may not maintain appropriate ACES security procedures.</p>	<p>The Section had reasonable security procedures in place for its ACES users' passwords and IDs. However, the Section was missing an Employer User Security Agreement (AESD-43) for one employee who had access to ACES. Subsequent to the on-site fieldwork, the Section completed an AESD-43 for this employee.</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. 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</p>	<p>The Section should ensure that ACES user security agreements are completed timely and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
11. The Section may not maintain appropriate ACES security procedures. (continued)	termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential information is subjected to unauthorized disclosure, modification or destruction.	

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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 Section'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
Chief, Office of Audit Services

Date: August 2010
Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIDA, Manager
Carol Northrup

APPENDIX

SECTION'S WRITTEN RESPONSE



CIF/CENTRAL COAST SECTION
6830 Via Del Oro, Suite 103
San Jose CA 95119
408-224-2994 / 408-224-0476 (FAX)
www.cifccs.org

July 13, 2010

Carol Northrup
CalPERS

Dear Carol:

REFERENCE: Employer Code 1104 Job Number: PO9-031

Thank you for your patience as I was out of the office on vacation shortly after the Draft of the audit report was received. I have reviewed the audit and have the following corrections and explanations for your consideration:

1. Temporary/part time employees:

- A. Throughout the audit, (pg. 1, bullet #4; pg 9, and on the confidential list of employees concerned and) these individuals are referred to as "temporary/ part-time employees" They are not temporary employees. They are employed under a full year contract for part time work. The description of "temporary/part-time employees" in describing their status is not accurate. They are part-time employees, but not temporary.
- B. These two employees work 1/3 time which is less than 1,000 hours. That is clearly outlined in their contract. Since we are an organization formed by member schools, I believe you will find such contracts common among school entities, where part-time contracts are not hourly wage earners and do not, therefore, punch a time-clock. They are salaried professionals, expected to perform responsibilities that take approximately 1/3 of the time of a full-time employee. It is unnecessary and very impractical to state that a time sheet for these employees must be kept on file. We have a written, signed agreement between our organization and the employee and have agreed that it is about 1/3 of a full time employment commitment. This would be well below the 1,000 hour requirement for inclusion in our PERS retirement program. Their hours are very sporadic and since not regularly scheduled to be in the office, would be impossible and very time-consuming to keep an hourly log of their time. I find the findings about these two positions to be inaccurate, and the requirements suggested to be unnecessary and impractical. A contract signed by the employee and the employer agreeing to 1/3 time should be sufficient documentation to establish such a position.

2. #3 In response to our 10-month employees, as in any school, employees who only work 10 months as teachers and administrators do, we allow our employees to take their pay spread over 10 months or 12 months. Their contract, however is written for a twelve month period. They are employees from July 1 through June 30 of the following year. They do not work during the 8 weeks of summer because they are on vacation, but are still considered employed. Saying their pay should not be reported during the two

months they take their allocated vacation is like saying that any employee if off work for an extended period of time (two week so vacation or 6 weeks or 8 weeks of vacation is not earning their pay during that period of time. Of course that can't be so. My contract allows for six weeks of vacation. If I took all 6 weeks consecutively, my annual salary divided by the terms of my annual contract would be spread over 12 months the same is true of these employees. They are full-time employees whose contract runs for a full, consecutive twelve-month period of time. Their salary is earned over that 12 month period. They do not separate from employment during their vacation.

- 3 #8 Retired employee: The statement made here may not be completely accurate. The employee in question has provided documentation to PERS upon retirement to confirm unused sick leave. That form was completed, documentation provided and signed by the CCS Commissioner confirming the amount of unused sick leave. The Section was not aware of the necessity of us keeping a record of that subsequent to his retirement and review by CalPERS granting retirement based on the documentation provided at the time. The Retiree was unable to locate those records having made a move out of the area following his retirement. So to say we were unable to provide documentation is not completely accurate. Documentation was provided at the appropriate time and in a manner required by CalPERS for a retiree. After retired, and moving, it is impractical to expect that a retiree would expect to have to provide that same documentation again to the same agency.

I find the other findings in the audit beyond my scope of knowledge of the Cal PERS vast array of regulations to dispute. However, I believe the intent of the CCS Board regarding both the auto allowance and medical benefits allowance provided, was to have that included as part of our salary package and it was reported as thus to PERS. If the language in our salary schedule and contracts does not specifically match the requirements for such to be included in salary reporting to PERS, I will discuss this with the Board and change that language to be in compliance.

In addition, I would like to say that we are a small office and as such we do not have resources for a full-time or even part time HR person. As a result it is nearly impossible for us to be aware of all of the regulations and changes in regulations that accompany the vast regulations of an entity like Cal PERS. We have attempted to access PERS staff on numerous occasions over the years. We almost never get through to a person when we contact the office. Calls are returned but sometimes at a great delay and at a time not practical to our conduct of our primary business. So a great frustration mounts in trying to figure out what we are supposed to do, how we are supposed to do things when they change, etc. We have diligently tried to understand and comply with all requirements of PERS which have changed significantly over the years. There was no deliberate attempt to report things incorrectly or to falsify or deceive. Errors made were honest errors based on what we believed were practices that were in full compliance with all PERS regulations. Corrections will be made to full comply with the final audit report. However, consideration is requested for the #1, 2 and 3 to be amended in accordance with the information provided in this letter.

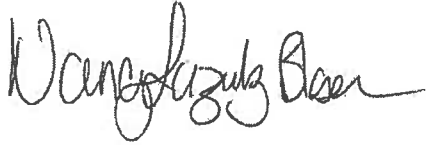
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Carol, as challenging as audits are in a disruption of our regular responsibilities. I want to thank you for being delightful to work with during your time here in our office. You were professional and helpful and made this process as pleasant as possible.

Please let me know what we need to do next.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Lazenby Blaser". The signature is fluid and cursive, with the first name "Nancy" being the most prominent.

Ms. Nancy Lazenby Blaser
CIF/Central Coast Section Commissioner

Cc: Grant Beech