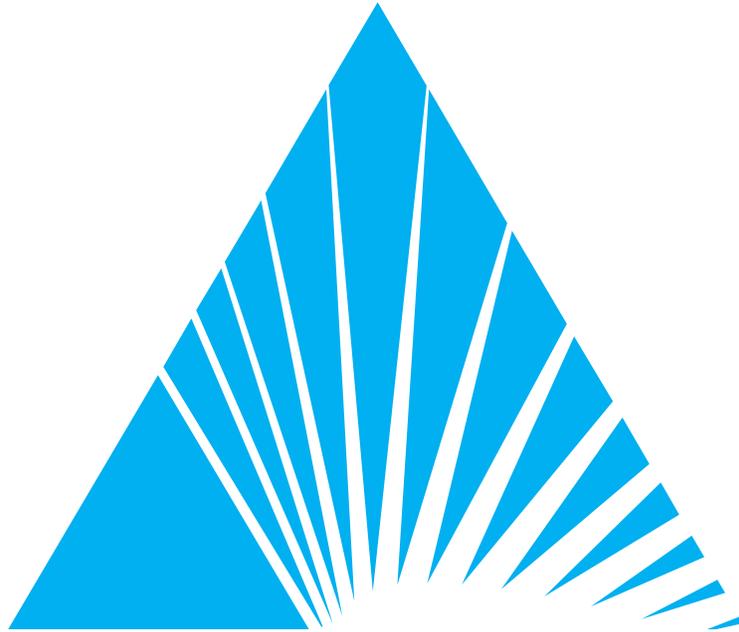


# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

## **City of South Pasadena**

**CalPERS ID: 2139696011**  
**Job Number: BI15-020**

**May 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)

May 26, 2016

CalPERS ID: 2139696011  
Job Number: BI15-020

David Batt, Finance Director  
City of South Pasadena  
1414 Mission Street  
South Pasadena, CA 91030

Dear Mr. Batt:

Enclosed is our final report on the results of the public agency review completed for the City of South Pasadena (Agency). Your written response, included as an appendix to the report, indicates 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. 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 South Pasadena  
Dorthea Fox, Payroll Coordinator, City of South Pasadena  
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

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# CITY OF SOUTH PASADENA

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## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results .....	2
1: Compensation .....	2
2: Special Compensation .....	3
Conclusion .....	4
Objectives .....	Appendix A
Agency's Written Response.....	Appendix B

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# CITY OF SOUTH PASADENA

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## RESULTS IN BRIEF

The objective of our review was to determine whether the City of South Pasadena (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) noted the following finding during the review. Details are noted in the Results section beginning on page two of this report.

- Special compensation was incorrectly included in base payrate and regular earnings.
- Special compensation was not reported as earned.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, 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 July 1, 1946 to provide retirement benefits for local miscellaneous and local safety employees (police and fire). 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.

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# CITY OF SOUTH PASADENA

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency incorrectly reported items of special compensation with base payrate and regular earnings.

The Agency incorrectly reported special compensation in base payrate and regular earnings. Specifically, the Agency reported Education Incentive Pay and Longevity Pay with base payrate and regular earnings for a Fire Captain and a Battalion Chief. In addition, the Agency reported Hazardous Material Pay with base payrate and regular earnings for the Fire Captain. Although OAS determined these items of special compensation were reportable to CalPERS, the incorrect reporting resulted in payrates reported for the Fire Captain and Battalion Chief to exceed the maximum payrate listed in the Agency's pay schedule. Government Code Section 20636(b)(1) defines payrate as the normal monthly rate of pay or base pay paid to members pursuant to a publicly available pay schedule. Government Code Section 20636(c)(1) identifies special compensation as a payment for special skills, knowledge, abilities, work assignment, work days or hours, or other work conditions. The Agency should report special compensation separately from base payrate and regular earnings.

***Recommendation:***

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

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

***Criteria:***

Government Codes: § 20160, § 20630, § 20636  
CCR: § 571

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## CITY OF SOUTH PASADENA

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**2:** The Agency did not report special compensation for the period it was earned.

The Agency incorrectly reported special compensation for a Battalion Chief. Specifically, the Agency reported a uniform replacement allowance and a uniform maintenance allowance as a lump sum amount of \$433.28 for the pay period ended July 28, 2013. However, the allowances were earned over two different 12 month periods. Government Code Section 20636(c)(3) requires special compensation to be reported for the period earned.

***Recommendation:***

The Agency should ensure special compensation of Uniform Allowance is reported in the pay period earned.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20636  
CCR: § 571

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# CITY OF SOUTH PASADENA

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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives 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 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, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

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

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

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**CITY OF SOUTH PASADENA**

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# **APPENDIX A**

## **OBJECTIVES**

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# CITY OF SOUTH PASADENA

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## 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.

# APPENDIX B

## AGENCY'S WRITTEN RESPONSE



**CITY OF SOUTH PASADENA**

FINANCE DEPARTMENT  
1414 MISSION STREET, SOUTH PASADENA, CA 91030  
TEL: 626.403.7250 ■ FAX: 626.403.7251  
WWW.SOUTHPASADENACA.GOV

April 18, 2016

Beliz Chappuie, Chief  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701

Dear Ms. Chappuie:

We have reviewed the draft report on the compliance review regarding the City of South Pasadena's contract with the California Public Employees' Retirement System. City management agrees with, and will begin implementing the recommendations in the report.

Sincerely,



Original signed by David Batt

David Batt  
Finance Director  
City of South Pasadena  
1414 Mission St.  
South Pasadena, CA 91030  
626-403-7252