



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(916) 795-0900 phone, (916) 795-4023 fax
www.calpers.ca.gov

June 28, 2012

Employer Code: 0104
Job Number: P11-024

County of Mono
Roberta L. Reed, Assistant Finance Director
P.O. Box 556
Bridgeport, CA 93517

Dear Ms. Reed:

Enclosed is our final report on the results of the public agency review completed for the County of Mono. Your agency's 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 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: Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Honorable Board Members, County of Mono

Office of Audit Services



Public Agency Review

County of Mono

Employer Code: 0104
Job Number: P11-024

June 2012

COUNTY OF MONO

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COUNTY OF MONO

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the County of Mono's (County) enrolled individuals, member compensation, required health and retirement information and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- Non-reportable compensation was included in the reported payrate.
- Uniform allowance was incorrectly reported.
- Holiday pay was incorrectly reported.
- Unit and work schedule codes were incorrectly reported.
- Payrates were incorrectly reported.
- An eligible temporary/part-time employee was not enrolled in CalPERS membership.
- Eligibility verification for a dependent enrolled in CalPERS Health Benefits Program was not provided.

A confidential list identifying the individuals mentioned in this report has been sent to the County and CalPERS Customer Account Services Division (CASD) and Benefit Services Division (BNSD) as an appendix to this draft report.

COUNTY BACKGROUND

The County operates under an Administrator-Board of Supervisors form of government and provides the following services: public protection, public ways and facilities, health and sanitation, public assistance, education, culture and recreation, and general services. Memoranda of Understanding (MOU) and employment agreements outline all County employees' salaries and benefits and state the terms of employment agreed upon between the County and its employees.

The County contracted with CalPERS effective January 1, 1946, to provide retirement benefits for local miscellaneous employees. The County's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The County contracted with CalPERS effective January 1, 2000, to provide health benefits to all eligible employees.

All contracting public agencies, including the County, are responsible for the following:

- Determining CalPERS membership eligibility for its employees.
- Enrolling employees into CalPERS upon meeting membership eligibility criteria.

COUNTY OF MONO

- Enrolling employees in the appropriate membership category.
- Establishing the payrates for its employees.
- Approving and adopting all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publishing all employees' payrates in a publicly available pay schedule.
- Identifying and reporting compensation during the period it was earned.
- Ensuring special compensation is properly identified and reported.
- Reporting payroll accurately.
- Notifying CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensuring the employment of a retired annuitant is lawful and reinstating retired annuitants that work more than 960 hours in a fiscal year.
- Ensuring only eligible members and their dependents are enrolled for health coverage.
- Keeping accurate and up to date records of all health enrollment related information such as enrollment forms, parent-child relationship affidavits, divorce decrees, and other documentation.

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the County's payroll reporting and member enrollment processes as these processes relate to the County's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from January 1, 2009, through December 31, 2011. The on-site fieldwork for this review was conducted on February 6, 2012, through February 9, 2012. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

COUNTY OF MONO

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The County incorrectly included non-reportable compensation in payrates.

Recommendations:

The County should ensure all payrates reported to CalPERS are the authorized full-time payrates for the positions listed in publicly available pay schedules pursuant to Government Code Section 20636. Furthermore, the County should not report compensation that fails to meet the definition of compensation earnable.

OAS recommends CASD deny all non-reportable items of compensation. CASD should make the appropriate adjustments to the members' accounts pursuant to Government Code Section 20160.

Conditions:

OAS found that the County over-reported payrates for two sampled employees in during the review period. The sampled employees' contracts provided a base salary plus additional compensation of 11.93 percent of salary due to the fact they do not earn certain County benefits. The County incorrectly included the additional compensation in the reported payrates for both sampled employees. The additional compensation did not meet the definition of compensation earnable and therefore, should not be reported to CalPERS. The authorized monthly payrate for the first employee was \$16,698; however, the County incorrectly reported a payrate of \$18,492. The authorized monthly payrate for the second employee was \$18,315; however, the County incorrectly reported a payrate of \$20,500.

Criteria:

Government Code: § 20160, § 20630(b), § 20636(a), § 20636(b)(1), § 20636(c)(6)

California Code of Regulations: § 570.5(a)

COUNTY OF MONO

Finding 2: The County did not report the value of uniforms for certain employee groups and over-reported uniform allowance for other employee groups.

Recommendation:

The County should ensure the value of uniforms, including uniform maintenance, is correctly reported to CalPERS for all employees required to wear a uniform. In addition, the uniform provision must be contained in a written policy or agreement that has been duly approved and adopted by the County's governing body.

OAS recommends CASD work with the County to assess the impact of and correct this incorrect reporting issue. CASD should make the necessary adjustments to members' accounts pursuant to Government Code Section 20160.

Condition:

Employees of the County's public employees group who worked in the road, facilities, and solid waste divisions were provided with uniforms; however, the monetary value of the uniforms and maintenance were not reported to CalPERS. The employees who worked in the animal control division purchased their own uniforms and submitted receipts for reimbursement; however, a reimbursement of \$400 paid on April 6, 2011, to one sampled employee was not reported to CalPERS. Subsequent to the on-site fieldwork, on March 31, 2012, the County reported a retroactive adjustment to correct the non-reporting issue.

The County reported uniform allowances that were paid to sampled employees in the public safety and paramedic groups; however, the compensation was incorrectly reported to CalPERS for two sampled employees as follows:

- A public safety employee received uniform allowance payments totaling \$1,000 in fiscal year 2010/2011; however, the County incorrectly reported \$1,625 over seven service periods during the fiscal year. As a result, the County over-reported \$625 in uniform allowance on behalf of this employee.
- A paramedic employee received uniform allowance payments totaling \$750 in fiscal year 2010/2011; however, the County incorrectly reported a total of \$1,500 over four service periods during the fiscal year. As a result, the County over-reported \$750 in uniform allowance on behalf of this employee.

Additionally, OAS found the MOU for the Mono County Public Employees (MCPE) did not specify the provisions for payment of the uniform allowance as required under the California Code of Regulations Section 571.

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Criteria:

Government Code: § 20049, § 20160, § 20636(a), § 20636(c)(1), § 20636(c)(6),
§ 20636(d)

California Code of Regulations: § 570.5, § 571(a), § 571(a)(5), § 571(b)

COUNTY OF MONO

Finding 3: The County incorrectly calculated and reported holiday pay.

Recommendation:

- a) The County should immediately stop reporting holiday pay to CalPERS that is calculated on compensation other than base pay.
- b) The County should immediately report the additional holiday pay to CalPERS for the affected member.

OAS recommends CASD make the necessary adjustments to members' accounts for the holiday pay pursuant to Government Code Section 20160.

Condition:

- a) OAS found the County's method for computing holiday pay was not consistent with the methodology contained in County MOU's. Specifically, the County MOU's specified that holiday pay should be calculated on the base payrate. However, the County combined base payrate with various items of special compensation, including longevity, FLSA premium, and POST pay prior to calculating holiday pay. As a result, holiday pay was over-reported for the sampled employees during the 5/11-0 service period.
- b) OAS found that holiday pay was under-reported for one sampled employee in the 5/11-0 service period. Specifically, sheriff officers received holiday pay semi-annually in the amount of ten percent of base pay. One sampled employee received an annual salary increase from \$5,853 per month to \$6,146 per month effective in May 2011. The County incorrectly used the prior month's payrate of \$5,853 when calculating the holiday pay for the month of May 2011. Specifically, the County calculated the six months of holiday pay from December 2010 through May 2011 using a payrate of \$5,853 and reported a total of \$3,511.80. The County should have used the new payrate of \$6,146 for the month of May when calculating the holiday pay and reported a total of \$3,541.10. As a result, the amount reported as holiday pay was under-reported by \$29.30 in the 5/11-0 service period.

Criteria:

Government Code: § 20160, § 20636(a), § 20636(c)(2)

Code of Regulations: § 571(b)

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Finding 4: The County did not correctly report payroll reporting elements.

Recommendation:

- a) The County should ensure that all employees working for the County Courts are reported to CalPERS using unit code 888.
- b) The County should ensure that the correct work schedule code is reported for employees who work an average of 243 hours per month.

OAS recommends CASD work with the County to assess the impact of this incorrect reporting and make any necessary adjustments to the members' accounts pursuant to Government Code Section 20160.

Condition:

- a) OAS found that the County reported an incorrect unit code of 100 for one sampled employee who worked for the County Courts. As specified in CalPERS Circular Letter # 200-034, employees of the County Courts should be reported to CalPERS using the County's existing contract; however, the trial court employees must be reported to CalPERS using a payroll unit code of 888.

CalPERS Procedures Manual, page 102, states, in part, "Unit Code identifies a group or unit of employees within an employer. Unit codes can provide easier member identification and payroll balancing. A separate unit code for each of the following groups should be used: (2) Trial Court Employees (Unit Code 888)."

- b) The County reported incorrect work schedule codes for paramedics who worked an average of 56 hours per week. The County incorrectly reported a work schedule code of 173, which indicated a 40 hour work week. The County should report a work schedule code of 243 when reporting monthly payrates for employees who work an average of 56 hours per week

The work schedule code is a three digit numeric code, used in calculating the employer rate and a member's retirement benefit. It identifies what the employer considers to be full-time employment for employees in the same work group, such as by department or duties, but not by individual employee.

Criteria:

Government Code: § 20160, § 20221(b)

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Finding 5: The County did not correctly report payrates for employees who were promoted and received salary increases.

Recommendation:

The County should ensure that only compensation earnable, as defined under the PERL and corresponding regulations, is reported to CalPERS. The County should also ensure that the payrate reported to CalPERS is the authorized full-time payrate for each position and that each payrate is reported as a separate line entry, reporting the proper amount earned under each payrate.

OAS recommends CASD make the necessary payrate adjustments to members' accounts pursuant to Government Code Section 20160.

Condition:

The County incorrectly reported payrates for two sampled employees who received promotions during the 9/11-10 and 5/11-0 service periods. If an employee receives a salary increase or decrease during the current service period, both payrates must be reported. This will require two line entries, reporting the proper amount earned under each payrate."

Specifically, the payrates were incorrectly reported as follows:

- One employee was promoted effective September 12, 2011, and received a salary increase from \$7,365 to \$9,206 per month. The increase occurred during the 9/11-0 service period. The County incorrectly reported the aggregate earnings for both positions and the payrate of the new position (\$9,206) as a single payroll entry. The County should have reported the payrate and corresponding earnings for each position using two separate line entries.
- A second employee was promoted effective May 3, 2011, and received a salary increase from \$9,677 to \$14,193 per month. The increase occurred during service period 5/11-0. The County incorrectly reported the aggregate earnings for both positions and the payrate of the new position (\$14,193) as a single payroll entry. The County should have reported the payrate and corresponding earnings for each position using two separate line entries.

Criteria:

Government Code: § 20160, § 20630(b), § 20636(a), § 20636(b)(1)

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Finding 6: The County did not enroll one temporary/part-time employee who qualified to become a CalPERS member.

Recommendation:

The County should begin enrolling and reporting eligible temporary/part-time employees when membership eligibility requirements are met. The County should also implement procedures to review and monitor the number of hours worked in a fiscal year by temporary/part-time/employees hired through a temporary employment agency.

OAS recommends CASD work with the County to assess the impact of this enrollment issue and determine what adjustments are needed. CASD should make the necessary adjustments to members' accounts pursuant to Government Code Section 20160.

Condition:

The County did not enroll one sampled temporary/part-time employee who met CalPERS membership eligibility requirements. Specifically, the employee was hired through a temporary employment agency and completed 1,000 hours of work in the pay period ending May 9, 2010; however, was not enrolled in CalPERS membership.

Criteria:

Government Code § 20044, § 20160, § 20305(a)(3)(B)

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Finding 7: The County did not provide required documentation to verify eligibility for a dependent enrolled in CalPERS Health Benefits Program.

Recommendation:

The County must ensure that the proper member and dependent enrollment documentation is on file at the County within 60 days from the date of the final OAS report. CASD may be contacted at 1-888-CalPERS (1-888-227-7377) with any questions.

OAS recommends CASD obtain any missing documentation and cancel enrollment of any person who is found to be ineligible to participate in the CalPERS Health Benefits Program.

Condition:

OAS reviewed documentation for a sample of nine employees to assess the health benefits eligibility and enrollment of employees and their dependents. The County provided the required documentation to support enrollment for the sampled employees and their enrolled dependents with the exception of a marriage certificate for one employee.

Criteria:

Government Code § 20085, § 22775,

California Code of Regulations § 599.500(k)

COUNTY OF MONO

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the County's payroll and health 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: June 2012

Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIA, CIDA, Manager
Terry Heffelfinger
Chris Wall

COUNTY OF MONO

APPENDIX A

BACKGROUND

COUNTY OF MONO

BACKGROUND

California Public Employees' Retirement System

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 Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD 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. CalPERS Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

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 employer's 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.

COUNTY OF MONO

APPENDIX B

OBJECTIVES

COUNTY OF MONO

OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the County complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the County's retirement and health benefits contracts with CalPERS were followed.

This review covers the period of January 1, 2009, through December 31, 2011. OAS completed a prior review covering the period of January 1, 1991, to December 31, 1993.

SUMMARY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the County's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
 - Provisions of the Contract and contract amendments between the County and CalPERS
 - Correspondence files maintained at CalPERS
 - County Council minutes and County Council resolutions
 - County written labor policies and agreements
 - County salary, wage and benefit agreements including applicable resolutions
 - County personnel records and employee hours worked records
 - County payroll information including Summary Reports and CalPERS listings
 - Other documents used to specify payrate, special compensation and benefits for all employees
 - Health Benefits Program enrollment records and supporting documentation
 - County ordinances as necessary
 - Various other documents as necessary
- ✓ Reviewed County payroll records and compared the records to data reported to CalPERS to determine whether the County correctly reported compensation.

COUNTY OF MONO

- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to County 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 County's governing body in accordance with requirements of applicable public meeting laws.
- ✓ Reviewed CalPERS listing reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the County's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the County's enrollment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when 960 hours were worked in a fiscal year.
- ✓ Reviewed the County's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the County's affiliated entities to determine if the County shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the County or by the affiliated entity.
- ✓ Reviewed the County's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick.
- ✓ Reviewed health records to determine whether the County properly enrolled eligible individuals into CalPERS Health Benefits Program, if contracted for Health Benefits.

COUNTY OF MONO

APPENDIX C

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
COUNTY OF MONO EMPLOYER CODE 0104
PRIOR REVIEW P4-037, DATED MARCH 1996**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. Non-reporting of reportable compensation	<p>For active members, the County should immediately start reporting annual uniform allowance and FLSA overtime as compensation to CalPERS.</p> <p>For retired employees, the County should review the reported compensation for the retiree's final compensation period and report any annual uniform allowance, FLSA overtime, and prorated holiday pay for safety members as compensation.</p>	<p>Implemented. FLSA was correctly reported.</p> <p>Similar findings noted in the current report. Uniforms were not correctly reported. Holiday pay was incorrectly reported.</p>
2. Eligible contract employees not reported	The County should examine all independent contractor agreements entered into during the audit period and subsequently. The County should ensure that the individual is enrolled in CalPERS if the individual meets the enrollment requirement for temporary and part-time employees.	Implemented. No similar observations were noted.
3. Retired annuitant not reinstated	The County should ensure that an individual is enrolled in CalPERS if the individual meets the enrollment requirements for retired annuitants.	Implemented. No similar observations were noted.
4. Improper classification of safety employees	The County should report all active Public Safety Officers as safety employees. In addition, the County should identify those employees who retired as Public Safety Officers and contact the CalPERS Member Services Division to determine its liability with regard to the unpaid contributions and possible reduced retirement benefits.	Implemented. No similar observations were noted.
5. Eligible employees not reported	The County should establish effective procedures to monitor the working hours of temporary employees and enroll them in CalPERS when the membership criteria are met.	Similar finding noted in the current report. A part time employee hired through a temporary agency was not enrolled in membership.

**FOLLOW UP ON PRIOR REVIEW FINDINGS
COUNTY OF MONO EMPLOYER CODE 0104
PRIOR REVIEW P4-037, DATED MARCH 1996**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
<p><u>Conclusion:</u> The County did not implement all of the recommendations of our prior review. Specifically, uniforms were not reported correctly, holiday pay was not reported correctly, and a part-time employee, hired through a temporary employment agency, was not enrolled in membership. No similar observations were noted for prior report findings #2, #3 and #4.</p>		

COUNTY OF MONO

APPENDIX D

COUNTY'S WRITTEN RESPONSE



DEPARTMENT OF FINANCE COUNTY OF MONO

Rosemary Glazier
Assistant Finance Director
Treasurer-Tax Collector

Brian Muir
Finance Director

Roberta Reed
Assistant Finance Director
Auditor-Controller

P.O. Box 495
Bridgeport, California 93517
(760) 932-5480
Fax (760) 932-5481

P.O. Box 556
Bridgeport, California 93517
(760) 932-5490
Fax (760) 932-5491

June 21, 2012

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

Employer Code: 0104
Job Number: P11-024

Dear Ms. Junker:

Mono County has reviewed CalPERS Audit of June 2012 and has prepared the following responses for inclusion into the final report.

Finding 1: Compensation Earnable

Beginning on July 1, 2012, the rates of reportable pay will be adjusted in the CalPERS reporting module.

Finding 2: Uniform Allowance

This issue of over-reporting has been corrected through a MOU impasse with the DSA and tentatively with the PSO and Firefighters; the County addressed uniform issues for miscellaneous employees in the current MOU.

Finding 3: Holiday Pay

Mono County will correct Holiday pay reporting effective July 1, 2012.

Finding 4: Payroll Reporting Elements

The County will work with CalPERS to insure that the Court employees are reported to the proper code as requested by CalPERS.

Finding 5: Payrate Reporting

This split rate reporting will be implemented in the future.

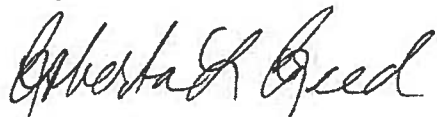
Finding 6: Temporary/Part-Time Employee

The County does not use temporary/part-time employees often. The County will make a concerted effort to identify former active PERS employees and to ensure the number of hours worked does not exceed 1,000 hours.

Finding 7: Health Benefits Documentation

The County requests proof of eligibility for health benefits upon hire and then upon any additions and/or deletions. Unfortunately the employee could not comply with providing a copy of his marriage certificate in a timely manner.

Respectfully submitted,



Roberta L. Reed
Assistant Finance Director
Auditor-Controller
County of Monog