Office of Audit Services

CalPERS

Public Agency Review

East San Gabriel Valley Human Services Consortium

CalPERS ID: 7115308410
Job Number: P14-088

October 2016

CalPERS

California Public Employees' Retirement System
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October 27, 2016

CalPERS ID: 7115308410
Job Number: P14-088

Thomas Mauk, Management Consultant
East San Gabriel Valley Human Services Consortium
125 East College Avenue
2nd Floor Human Resource Department
Covina, CA 91723

Dear Mr. Mauk:

Enclosed is our final report on the results of the public agency review completed for the East San Gabriel Valley Human Services Consortium (Agency). Your Agency's Board approved response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 5. We appreciate the additional information regarding Finding 5 that you provided in your response; however, after consideration of this information, our recommendations remain as stated 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: Board of Directors, East San Gabriel Valley Human Services Consortium
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

EAST SAN GABRIEL VALLEY HUMAN SERVICES CONSORTIUM

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RESULTS IN BRIEF

The objective of our review was to determine whether the East San Gabriel Valley Human Services Consortium (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 findings and observations during the review. Details are noted in the Results section beginning on page three of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Payrates and corresponding earnings were incorrectly reported.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Retired annuitants were not employed in accordance with the Government Code and CCR.
- Eligible employees were not enrolled into membership as required.
- Full-time employees were not enrolled into membership as required.
- Members were incorrectly enrolled as PEPRA members instead of classic members.
- Unused sick leave was incorrectly reported.
- Member reciprocal self-certification form was not maintained.
- Observation 1: Agency did not reduce the payrate and earnings as agreed upon by the Agency's governing body.
- Observation 2: Agency records did not agree with my|CalPERS information.

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.

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BACKGROUND

The Agency, which does business as LA Works (LA Works), is a Joint Powers Authority composed of the cities of Azusa, Covina, Glendora and West Covina. The primary objective of the Agency is to provide employment and training services to local residents, as well as inmates incarcerated in the Los Angeles County Sherriff's Department (LACSD) custody facilities. During Fiscal Years 2011-12 through 2013-14, the Agency employed approximately 140 employees, which consisted of Executive Management, Administrative Support, and Vocational and Academic Instructors. However, on September 30, 2014, the Agency terminated all employees due, in part, to the loss of a contract with the LACSD. As a result, the Agency closed its headquarters on October 3, 2014, but continues as an entity with operations located at an office at the City of Covina's City Hall. The Agency's staffing consists of seven employees and a Legal Counsel consultant. Currently, the Agency has no programs in place. However, the Agency is considering a change to its mission, vision, and purpose.

The Agency contracted with CalPERS effective December 1, 1979 to provide retirement benefits for local miscellaneous 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.

SCOPE

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from July 1, 2011 through May 14, 2015. In addition, we reviewed employment records for a retired annuitant from January 2003 to June 10, 2014. The review objectives and methodology are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.

Condition:

A. The Agency did not have a pay schedule that met all of the Government Code and CCR requirements. The Agency provided documents such as salary matrices and a budget summary that contained payrate information. However, the documents were not approved and adopted by the Agency's governing body in accordance with the requirements of applicable meeting laws. In addition, the documents provided did not include the payrates and position titles for all Agency positions or indicate revision dates.

B. The Agency reported payrates for eight employees that were not supported by a salary matrix or budget summary. The payrates were either below or above the payrates listed on the Agency's salary matrices or budget summary during various pay periods within Fiscal Year 2013-14.

Only compensation earnable as defined under Government Code Section 20636 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636(b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

Recommendation:

The Agency should ensure it has a pay schedule that meets all of the Government Code and CCR requirements.

The Agency should limit payrates to the amount listed on a pay schedule that meets all the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (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: § 570.5

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2: The Agency reported incorrect payrates and earnings.

Condition:

A. The Agency also reported earnings that did not correspond to monthly payrates for ten employees in various pay periods of Fiscal Year 2013-14. For example, a Commercial Printing Instructor was paid a semi-monthly amount of $3,686.12, which is equivalent to a monthly payrate of $7,372.24. However, the Agency reported a monthly payrate of $7,164.00.

B. The Agency incorrectly reported payrate and earnings for a Senior Payroll Clerk. Specifically, the Agency reported earnings of $849.43 and an hourly payrate of $21.38 in the pay period ended July 31, 2013. However, during this pay period the employee's actual earnings were $1,038.19 at an hourly payrate of $23.60.

Under Government Code Section 20636(b)(1), payrate is defined as 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. Payrate and earnings are important factors in computing a member's retirement allowance because service credit and final compensation are directly related to these factors. Failure to correctly report payrate can impact the retirement benefits that employees will receive upon retirement.

Recommendation:

The Agency should ensure correct payrates and earnings are reported.

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: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: § 570.5

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3: The Agency did not report special compensation in accordance with the Government Code and CCR.

Condition:

A. The Agency incorrectly reported Temporary Upgrade Pay in base payrate and earnings for a Clerk Typist II in the pay period ended July 31, 2013. Temporary Upgrade Pay was defined in the Agency's Board approved written labor policies and is exclusively listed as special compensation in CCR Section 571. Therefore, Temporary Upgrade Pay should be reported as special compensation separately from base payrate and regular earnings.

B. The Agency did not have sufficient documentation to support the reporting of Temporary Upgrade Pay for the Human Resource Specialist in the pay period ended June 29, 2013. Specifically, the Agency reported Temporary Upgrade Pay of $1,626.20. However, the employee was appointed to an Acting Human Resources Manager position effective May 16, 2013 and then terminated in June 2013. The employee was in the position for less than a month and, therefore, was not eligible to earn $1,626.20 of Temporary Upgrade Pay.

C. The Agency incorrectly reported Bonus Pay, an item of special compensation, as a lump sum amount for the Workforce Investment Act (WIA) Manager, Painting Instructor, and Computer Instructor. Specifically, the Agency paid these employees Bonus Pay in the amounts of $7,095.00, $2,125.00, and $375.00, respectively as lump sum amounts in the pay period ended June 30, 2012. Government Code Section 20636(c)(3) requires the Agency to identify the pay period(s) in which the special compensation was earned.

D. The Agency did not report uniforms as special compensation. Specifically, the Agency provided uniforms to a Life Skills Instructor and a Telecommunications Instructor. However, the Agency did not report the monetary value of the uniforms. Government Code Section 20636 and CCR Section 571 require the monetary value for the purchase, rental, and/or maintenance of required clothing be reported as special compensation.

E. The Agency's written labor policy containing the provision for uniforms did not did not indicate the conditions for payment of the uniforms. CCR 571(b)(1)(B) requires that the written labor policy or agreement contain the conditions for payment including, but not limited to, eligibility for, and amount of, the special compensation.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification.

Recommendation:

The Agency should ensure that special compensation is reported separately from base pay and regular earnings.

The Agency should ensure that special compensation meets the requirements of the Government Code and CCR.

The Agency should ensure that special compensation is reported in the period(s) earned.

The Agency should ensure the monetary value of uniforms is reported as special compensation for classic members.

The Agency should ensure the conditions for payment of the uniforms are included in the written labor agreements.

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, § 20630, § 20636
CCR: § 571

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4: Retired annuitants' employment did not comply with Government Code and CCR requirements.

Condition:

A. The Agency did not comply with employment after retirement laws. Specifically, a former Chief Executive Officer (CEO) retired on December 31, 2002, but continued to work in the same position as a retired annuitant until June 10, 2014. Prior to retirement on December 31, 2002, the CEO proposed to the Agency's Board to retire under CalPERS effective January 1, 2003 while simultaneously leading the Agency as the CEO. The proposal included a plan for the CEO to work a three quarter to full-time schedule with the understanding that CalPERS limits hours to 960. Therefore, the remaining 600 plus hours were to be in-kind. The proposal also suggested compensation at 75 percent of the annual salary of the CEO position distributed over 960 hours. Government Code Section 21221(h), in effect as of January 1, 2003, stated that a retired annuitant appointed to work under this subdivision could not exceed a total of one year. However, the retired annuitant worked as the CEO for eleven and a half years.

   In addition to regular earnings, the Agency paid the retired annuitant various payments that totaled over $216,000.00 in calendar year 2013, and over $67,000 during the first six months in 2014. Government Code Section 21221 and 21224 revised in January 1, 2013 specified that a retired person shall not receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly pay rate. The retired annuitant continued receiving additional benefits through June 10, 2014.

B. The Agency did not enroll and report the hours worked and earnings paid to another retired annuitant. The individual entered into a professional services agreement with the Agency on May 29, 2014 to provide services as the interim CEO. Using a common-law test, CalPERS EAMD determined the CEO provided services as an employee. OAS determined the retired annuitant did not work more than 960-hours in a fiscal year and therefore was not subject to reinstatement. However, the Agency should have enrolled the retiree into CalPERS and reported the hours and compensation in my|CalPERS as required.

Government Code Section 21220 addresses the conditions and consequences of unlawful employment of a person who has been retired under this system. The

Government Code states that any retired member employed in violation of this article shall reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law, pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment plus interest thereon and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

The Government Code also states that any public employer that employs a retired member in violation of this article shall pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period or periods of time that the member is employed in violation of this article, plus interest thereon and contribute toward reimbursement of this system for Administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

Recommendation:

The Agency should work with CalPERS EAMD to determine the appropriate course of action to ensure compliance with employment after retirement laws.

The Agency should report retired annuitants' payrates, hours worked, and earnings in my|CalPERS.

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

Criteria:

Government Codes: § 20160, § 20221, § 21202, § 21220, § 21221, § 21224

5: The Agency did not enroll eligible employees into CalPERS membership.

Condition:

The Agency did not enroll, report compensation earnable, or submit contributions for certain common-law employees. Specifically, the Agency did not enroll or report earnings for six employees who were paid $500.00 per month for working at least two hours per week and for being on call for assignments on an as needed basis. Although the six employees provided services for the Agency under an independent contractor agreement, by applying a common-law test, OAS determined that these individuals were under the control of the Agency and therefore, common-law employees of the Agency.

The six employees were employed by the Agency in the positions of Senior Accountant, Human Resources Director, Chief Operating Officer, Training and Services Manager, Technical Support Specialist and Chief Financial Officer prior to their termination from employment, and separation from CalPERS membership, on September 30, 2014. The Agency subsequently entered into contract agreements with the employees to provide the following services effective October 5, 2014:

- Handled all the financial reporting, liability insurance, and correspondence with external managers.
- Scheduled Agency Board meetings on the calendar, prepared Agency Board meeting packets, took Agency Board meeting minutes, and performed human resource related issues.
- Processed accounts payable and accounts receivables.
- Supervised the information technology operations.
- Obtained files from the storage facility, checked mail at the P.O. Box office and forwarded information to the responsible parties.
- Provided guidance on contracts that transpired, such as the WIA (Workforce Investment Act) funding.

OAS also confirmed through interviews with Agency staff that the six individuals were working under the direction of the Agency's Board. OAS reviewed the services provided by the six former Agency employees to determine whether they worked independently or in an employer/employee relationship using the common-law employment test.

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OAS identified the following common facts which appeared to support a finding of control and that the individuals were likely common-law employees of the Agency:

- The individuals continued to provide services in Agency established positions that were formerly held by the individuals.
- The individuals were appointed by the interim CEO.
- The individuals were paid to be available when asked.
- The services provided were part of the Agency's normal operations.
- Four of the individuals were required to attend Agency meetings.
- The services provided were integral and essential to the Agency’s continuation of business.
- The Agency provided the individuals with office space, desks, and the use of Agency equipment such as computers, copier and fax machines and telephones.
- The individuals followed Agency established guidelines and procedures while performing the services.

In applying the California common-law employment test, the most important factor in determining whether an individual performs services for another employer is the right of the principal to control the manner and means of job performance and the desired result, whether or not this right is exercised. Where there is independent evidence that the principal has the right to control the manner and means of performing the service in question, CalPERS will determine that an employer-employee relationship exists between the employee and the principal.

Other factors to be taken into consideration under the common-law employment test are as follows:

- Whether or not the one performing services is engaged in a distinct occupation or business.
- The kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of a principal or by a specialist without supervision.
- The skill required in the particular occupation.
- Whether the principal or the individual performing the services supplies the instrumentalities, tools, and the place of work for the person doing the work.
- The length of time for which the services are to be performed.
- The method of payment, whether by the time or by the job.
- Whether or not the work is a part of the regular business of the principal.

- Whether or not the parties believe they are creating the relationship of employer-employee.

OAS determined that the control over the individuals was with the Agency and after considering the secondary factors, OAS concluded the Agency was the common-law employer of these individuals. Although it appears the employees no longer provided services on a full-time basis, and in fact may have worked a little as two hours per week, as prior CalPERS members the employees were entitled to immediate re-enrollment for retirement benefits per Government Code Section 20305(a)(1). As a result, the Agency should have enrolled and reported these individuals to CalPERS for retirement purposes beginning the first day of their re-employment with the Agency.

Government Code Section 20283 provides that any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all arrears costs for member contributions and administrative costs of five hundred dollars per member as a reimbursement to this system's current year budget.

Government Code Section 20460 provides in relevant part that any public agency may participate in and make all or part of its employees members of this system by contract. Government Code Section 20022 defines a contracting agency as any public agency that has elected to have all or any part of its employees become members of this system and that has contracted with the Board for that purpose. Government Code Section 20028 defines an employee as any person in the employ of any contracting agency. Management and control of CalPERS is vested in the CalPERS Board as provided in Government Code Section 20120. Each member and each person retired is subject to the PERL and the rules adopted by the Board pursuant to Government Code Section 20122. Government Code Section 20125 provides that the Board shall determine who are employees and is the sole judge of the conditions under which persons may be admitted to and continue to receive benefits under this system.

For the purposes of the PERL and for programs administered by the Board, the standard used for determining whether an individual is the employee of another entity is the California common law employment test as set forth in the California Supreme Court case titled *Tieberg v. Unemployment Ins. App. Bd*., (1970) 2 Cal. 3d 943, which was cited with approval in *Metropolitan Water Dist. v. Superior Court (Cargill)*, (2004) 32 Cal. 4th 491, and which was adopted by the Board in two precedential decisions, *In the Matter of Lee Neidengard*, Precedential Decision No.

05-01, effective April 22, 2005, and *In the Matter of Galt Services Authority*, Precedential Decision No. 08-01, effective October 22, 2008.

Recommendation:

The Agency should ensure common-law employees are enrolled into CalPERS membership when eligibility requirements are met.

The Agency should work with EAMD to assess the impact of the membership enrollment issue and make the necessary adjustments to all active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20022, § 20028, § 20056, § 20120, § 20121, § 20122, § 20125, § 20160, § 20281, § 20283, § 20300, § 20305, § 20460

6: The Agency did not enroll full-time employees at the time of hire.

Condition:

The Agency did not enroll full-time employees immediately upon hire. Specifically, the Agency hired employees on a permanent full-time basis, but waited for a period of 90 days before enrolling the employees into membership. The Agency's written labor policy identified that employees were to be enrolled following a 90-day waiting period. However, Government Code Section 20281 states that employees become a member upon entry into employment. In addition, Government Code Section 20505 states that every employee who enters or reenters service with a contracting agency on and after January 1, 1992, shall immediately become a member of this system irrespective of any probationary period, if the employee would otherwise be eligible for membership. This system shall not exclude employees, or groups of employees, solely on the basis of their status as probationary employees.

Recommendation:

The Agency should ensure employees are enrolled when membership eligibility requirements are met.

The Agency should work with EAMD to assess the impact of this issue and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20281, § 20283, § 20505

7: The Agency incorrectly enrolled classic members as PEPRA members.

Condition:

The Agency incorrectly enrolled two clerk typists as PEPRA members. Although the full-time clerk typists were hired prior to January 1, 2013, the Agency did not enroll the employees until March 1, 2013 and April 1, 2013, respectively. As a result, the employees were not enrolled in the correct retirement plan. Per Government Code Section 7522.04, a new member is defined as an individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date. The Agency should have enrolled the employees as classic members immediately upon hire.

Recommendation:

The Agency should ensure employees are enrolled in the correct retirement plan.

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

Criteria:

Government Codes: § 7522.02, § 7522.04, § 20120, § 20121, § 20122, § 20160
CCR: § 579.1

8: The Agency reported incorrect unused sick leave balances for retiring members.

Condition:

The Agency incorrectly certified sick leave balances for two retiring members. Specifically, the Agency certified an unused sick leave balance of two days for one retiring member and 17 days for the other. However, both of the retiring members cashed out all unused sick leave upon retirement leaving a zero balance.

Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. The total number of unused sick leave hours at retirement is converted to days to determine the additional service credit.

Recommendation:

The Agency should ensure the correct amount of unused sick leave is reported to CalPERS for retiring members.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

9: Member reciprocal self-certification information was not maintained.

Condition:

The Agency did not maintain the required member reciprocal self-certifications for employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individuals.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains the information provided.

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, § 7522.02, § 7522.04
CCR: § 579.3

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Observation 1: The Agency did not reduce employees' salaries in accordance with the Agency's board directive.

The Agency did not reduce employees' salaries in accordance with its Board directive. At a June 23, 2011 Agency Board meeting, the Agency's CEO proposed a realignment of its salary structure and an increase to the number of management and staff positions due to the increase of work load resulting from a contract with LACSD. At the meeting, the Agency's Board approved the CEO's proposal and increases to salaries. However, the approval was contingent upon the contract with LACSD. The salaries would return to the original amount upon termination of the contract. The contract ended on May 26, 2014. Although the Agency reduced the employees' payrates effective April 1, 2014, the payrates were not reduced to the original amounts in place prior to the salary realignment. As a result, OAS was unable to determine the correct payrates to report for impacted employees pursuant to Government Code Section 20636 and CCR 570.5.

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Observation 2: The Agency's records do not agree with my|CalPERS information.

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified one employee whose gender was different from the gender listed in my|CalPERS. OAS also identified two employees who had birth dates that were different from the birth dates in my|CalPERS. Additionally, OAS identified two employees who had employment statuses that were different from the employment statuses in my|CalPERS. The Agency's records showed the employees separated from employment; however, the employees were not shown as separated in my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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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

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Senior Manager
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APPENDIX A

OBJECTIVES

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OBJECTIVES

The objectives of this review were to determine whether the Agency complied with:

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

This review did not include an assessment as to whether the Agency is a "public agency," and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

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:
  - o Provisions of the contract and contract amendments between the Agency and CalPERS
  - o Correspondence files maintained at CalPERS
  - o Agency Board minutes and Agency Board resolutions
  - o Agency written labor policies and agreements
  - o Agency salary, wage, and benefit agreements including applicable resolutions
  - o Agency personnel records and employee time records
  - o Agency payroll information including Contribution Detail Transaction History reports
  - o Documents related to employee payrate, special compensation, and benefits
  - o 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 payrates reported to CalPERS and reconciled the payrates to Agency 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

Agency's governing body in accordance with requirements of applicable public meetings laws.

- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when unlawful employment occurs.
- ✓ Reviewed the Agency's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide additional service credits for unused sick leave.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The name of an individual mentioned in the agency's response was intentionally omitted from this appendix.

OFFICE OF AUDIT SERVICES

CalPERS

Attention: Eileen Wong

RE: L A Works response to the August 23, 2016 Compliance Audit

East San Gabriel Valley Human Services Consortium(L A Works)

Generally speaking this is an important audit done by high quality and professional CalPERS staff. It is important to note-as has been expressed verbally that implementation of many of the Recommendations will be problematic because of the absence of files and documents

Also the cover letter refers to [redacted] as "Interim Chief Executive Officer" That is not Correct but rather [redacted] by contract is a Management Consultant"

In the Background it refers to "seven employees"-that also is not correct(see comments on Item # 5

Finding # 1----This refers to the process of establishing and posting pay rates and scales. On the second Page it says that CalPERS in its sole discretion may make determinations. L A Works suggests that be The case and will work with CalPERS in that regard. As to recommendation # 3 that will also be done. The other recommendations relate to employees that no longer exist.

Finding # 2----The Agency will work with EAMD as suggested

Finding # 3----As to the first five recommendations there are no longer any employees. As to # 6 The Agency will work with EAMD.

Finding # 4-----As to Condition A----The recommendation as to determining the appropriate course of Action is appropriate. As to Condition B---that has been corrected (Also see comments on # 5.)

Finding # 5-----The Agency strongly disagrees that the six individuals referred to were or are "employees". They all went from working a 40 plus hour week to working between two and

Five hours a week. There were no benefits of any kind and no retirement expectations. They preformed SOME of the tasks listed in the report but not all. For example they did not provide guidance on contracts. There were none. They were not required to attend Board meetings—some chose to. There were no "performance expectations". They set their own schedules and tasks. For example there were and are no performance evaluations. There were no established guidelines and procedures—the agency was in the process of shutting down. And their tasks were not a part of "the regular business of the principal---there was and is no regular business---The Agency simply is in the process of closing down.

This Finding and the corresponding recommendations should be deleted and if not will be appealed.

Findings 6-9-----The Agency will work with EAMD as recommended.

L A Works has no comments regarding the two Observations or as to the two Attachments

In conclusion the is a good report that will be difficult in implementing the Recommendations but L A

Works will work with CalPERS as suggested with the exception of item # 5 which we would like to discuss further.

The Board of L A Works will approve and/or modify This response at its September 21 regular meeting

And a "hard copy" original will be forwarded to CalPERS Audit immediately thereafter

[redacted] Original signed by Thomas Mauk

Management Consultant