

Office of Audit Services



Public Agency Review

Santa Cruz County Law Library

**Employer Code: 1223
CalPERS ID: 6637432547
Job Number: P13-014**

July 2014



California Public Employees' Retirement System
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July 30, 2014

Employer Code: 1223
CalPERS ID: 6637432547
Job Number: P13-014

Santa Cruz County Law Library
Julia Hill, Vice President
Santa Cruz County Board of Law Library Trustees
701 Ocean Street, RM 070
Santa Cruz, CA 95060

Dear Ms. Hill:

Enclosed is our final report on the results of the public agency review completed for the Santa Cruz County Law Library (Agency). Your written response, included as an appendix to the report, indicates your Agency does not agree or disagree with the issues noted in the report. Therefore, 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 and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Phyllis Miller
PHYLLIS MILLER, Acting Chief
Office of Audit Services

Enclosure

cc: Santa Cruz County Board of Law Library Trustees
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

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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: Payroll Information	2
Conclusion	3
Objectives	Appendix A
Agency's Written Response	Appendix B

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the Santa Cruz Law Library (Agency) complied with applicable sections of the California Government Code, 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.

- The Agency incorrectly reported payroll information.

OAS recommends the Agency comply with applicable sections of the California Government Code, 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 August 4, 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 by 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 Board approved plan for fiscal year 2013-2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as related to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from July 1, 2006 through June 30, 2013. The on-site fieldwork for this review was conducted from December 2, 2013 through December 3, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency incorrectly reported payroll information.

Condition:

- A. The Agency reported a lump sum payment of \$6,000 in the pay period ending October 6, 2006 for one employee as a reimbursement for services provided to the Santa Cruz County Superior Court (Superior Court). The Agency records indicated the employee requested more than \$6,000 for performing court services over a 15-month period. The employee and the Agency agreed upon a settlement of \$6,000 for the services. The Agency terminated all employees on May 23, 2007 and the Santa Cruz County Superior Court took over the daily operations of the law library. Because the Santa Cruz Law Library no longer has employees, the Agency was not able to provide sufficient documentation to explain what the additional compensation was for or how it calculated the \$6,000 lump sum payment. The Agency provided an agenda for a special meeting of the Santa Cruz County Board of Law Library Trustees held on October 10, 2006 that did not provide sufficient details of the court services. OAS concluded that the lump sum payment of \$6,000 was paid for services performed for a different agency and as a result the \$6,000 was erroneously reported in the pay period ending October 6, 2006.
- B. The Agency incorrectly reported payroll for an employee after separation from the Agency. Specifically, the employee's last day with the Agency was October 10, 2006. However, in the final pay period that began on October 7, 2006 and ended on October 20, 2006, the Agency reported earnings of \$1,748 for 72 hours. The employee separated from the Agency three days into the pay period and therefore OAS determined the employee could not have worked 72 hours.

Recommendation:

The Agency should work with the Customer Account Services Division (CASD) to make any necessary adjustments to member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160 § 20630, § 20636

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix A. OAS limited the test of transactions to employee samples selected from the Agency's payroll 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 Phyllis Miller

PHYLLIS MILLER, CPA, CIA

Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Manager
Alan Feblowitz, CFE, Manager
Chris Wall, Auditor

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APPENDIX A

OBJECTIVES

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OBJECTIVES

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

- Whether the Agency complied with applicable sections of the California Government Code (sections 20000 et seq.) and Title 2 of the CCR.
- Whether prescribed reporting and enrollment procedures as they relate to the Agency's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2006 through June 30, 2013. 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.

SUMMARY

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, to the extent possible given availability of records:

- ✓ Reviewed:
 - Provisions of the contract and contract amendments between the Agency and CalPERS
 - Correspondence files maintained at CalPERS
 - Agency Board minutes and Agency Board resolutions
 - Agency written labor policies and agreements
 - Agency salary, wage and benefit agreements including applicable resolutions
 - Agency personnel records and employee hours worked records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Other documents used to specify payrate, special compensation, and benefits for all employees
 - Various other documents as necessary
- ✓ 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 meeting laws.

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- ✓ Reviewed CalPERS listing 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 960 hours were worked in a fiscal year.
- ✓ 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 entities to determine if the Agency shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the Agency or by the affiliated entity.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE

**SANTA CRUZ COUNTY
LAW LIBRARY**

701 Ocean Street, Room 070
Santa Cruz, California 95060

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July 18, 2014

Employer Code: 1223
CalPERS ID: 6637432547
Job Number: P13-014

On July 3, 2014 The Santa Cruz County Law Library received a copy of CalPERS draft report on the compliance review of the Santa Cruz County Law Library covering the period from July 1, 2006 through June 30, 2013. After review of the draft report, the Santa Cruz County Law Library Board of Trustees is in agreement with CalPERS recommendation that: "The Agency should work with the Customer Account Services Division (CASD) to make any necessary adjustments to member accounts pursuant to Government Code section 20160." As to findings 1A and 1B as outlined in the draft report, the Santa Cruz County Law Library Board of Trustees can neither agree nor disagree with the findings due to a lack of records and information for the time periods in question.

Sincerely,



Julia Hill
Vice President
Santa Cruz County Board of Law Library Trustees