



**SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
STAFF REPORT
AUDIT DIVISION**

DATE: October 27, 2014
TO: AUDIT COMMITTEE
FROM: Lee Parravano, Internal Auditor
SUBJECT: Plan Sponsor Contribution & Reporting Audit -San Diego Unified Port District

Enclosed is the Plan Sponsor Contribution & Reporting Audit for the period July 1, 2011 through June 30, 2013. Overall, the San Diego Unified Port District (District) has procedures in place for the census data and control strengths were identified during the audit. Opportunities for improvement were also identified that should be addressed to further strengthen controls.

Based on this review, seven recommendations have been made to improve controls related to the census data, and District management agrees with all seven of the recommendations. Management's written response can be found after page 12 of the audit report.

I would like to thank the Unified Port District and SDCERS staff for all of the assistance and cooperation provided during this audit. Everyone involved was very helpful and willing to provide the information needed. Their valuable time and efforts spent on this audit is greatly appreciated.



Internal Audit Report

Plan Sponsor Contribution & Reporting Audit

San Diego Unified Port District

**Prepared by:
Lee Parravano, Internal Auditor**

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EXECUTIVE SUMMARY

The San Diego Unified Port District (District) has procedures in place for the census data reported to San Diego City Employees' Retirement System (SDCERS). Control strengths identified during the audit period from July 1, 2011 through June 30, 2013 include:

- The following elements were correctly reported to SDCERS for all tested employees; date of birth, classification of employee, gender, date of termination, employment status, Plan code, member entry age, member contributions, and employer offset contributions.
- Pensionable compensation cap for tested members was observed.
- Membership in the Amended and Restated San Diego Unified Port District Retirement Plan and Trust (Plan) was correctly not established for temporary employees tested.
- Membership in the Plan was correctly not established for independent contractors tested.

However, the following issues were identified that should be addressed to further strengthen controls over the census data.

Wage Types Included in Base Compensation

Base Compensation is based upon compensation subject to retirement contributions, otherwise known as pensionable. Compensation subject to retirement contributions includes pay, plus various premium pay items and differentials. Any new or additional premium pay items or differentials are subject to retirement contributions, unless specifically excluded in the Memorandum of Understanding's or Salary Ordinance establishing the additional items. The wage type 9531 Special Assign Pos (HP) is included in the definition of Base Compensation as defined in the Plan and has not been reported to SDCERS as pensionable salary. The total amount of salaries and wages paid as wage type 9531 Special Assign Pos (HP), and not reported to SDCERS as Base Compensation, for the period July 8, 2011 through June 21, 2013 was \$36,661.00.

Night Shift Premium and Bilingual Shift Differential

The District is calculating employee compensation, for those eligible to receive both a night shift premium and a bilingual shift differential, equal to: (unadjusted salary + night shift premium) x bilingual shift differential. The night shift premium is not eligible for the bilingual shift differential. This results in an overpayment to the employee equal to the amount of the night shift premium multiplied by the bilingual shift differential. One employee was overpaid by \$3.34 for one pay period tested. The overpayment of \$3.34 was reported to SDCERS as Base Compensation.

Reporting of Base Compensation

One employee selected for testing obtained, and was eligible for, educational incentive pay of \$126.92 per pay period effective on the November 30, 2011 pay period. The educational incentive was not set up in the District's payroll system until January 12, 2012. This resulted in the payment of the educational incentive for the period November 30, 2011 through December 29, 2011 to be paid January 20, 2012. The retroactive educational incentive of \$380.76 was incorrectly reported to SDCERS as Base Compensation for the period December 30, 2011 through January 12, 2012.

EXECUTIVE SUMMARY (Continued)

Base Compensation and Service Credit for Partial Pay Period

Base Compensation for employees who work less than 80 hours in a pay period is incorrectly reported to SDCERS. The corresponding member contributions are being calculated on the incorrect Base Compensation. In addition, the District has not provided SDCERS the actual hours worked for members that work less than 80 hours in a pay period. Those members are incorrectly granted Service Credit in excess of the Service Credit earned as provided in the current Plan document.

Supporting Documentation

The District's Salary Ordinance includes a provision for employees to receive compensation at the rate of two and one-half percent (2.5%) higher than the regular rate while assigned to perform bilingual services in any language where need has been demonstrated. One employee selected for testing did not have documentation determining his bilingual qualifications. This employee has been receiving the bilingual pay differential since October 17, 2003. The bilingual pay differential is included in, and reported to SDCERS, as Base Compensation.

Date of Hire

Member contribution rates are based on the Member's age at the Member's nearest birthday on the Member's effective date of membership with the Plan. In addition, Service Credit is based on years or partial years earned by a Member while the Member is employed by the District. One employee selected for testing had a date of hire reported to SDCERS that did not agree to supporting documentation.

Based on this audit, seven recommendations have been made to improve internal controls related to the census data. The District's management agrees with all seven of the recommendations made. Details can be found in the Audit Results section of this report.

The information in this report is intended solely for the use of the District and SDCERS' Audit Committee, Board of Administration, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

AUDIT OBJECTIVES, SCOPE & METHODOLOGY

Audit Objectives

The objective of the audit was to evaluate the controls over member records and payroll data submitted by the District to SDCERS and to verify the accuracy and adequacy of that information.

Audit Scope & Methodology

This audit was performed for the period from July 1, 2011 through June 30, 2013 by using the following methods:

- Reviewed the Plan, Memorandum of Understandings between the District and the employee Unions, District Salary Ordinances, and the San Diego City Employees' Retirement System Participation and Administration Agreement.
- Reviewed policies and procedures utilized by staff to process the District's retirement transmittal file to SDCERS.
- Interviewed staff responsible for processing payroll, member enrollment, and transmitting the retirement file to SDCERS to determine if there is appropriate segregation of duties.
- Randomly selected twenty-five employee records, covering two pay periods – December 16, 2011 to December 29, 2011 and May 3, 2013 to May 16, 2013. For each employee selected:
 - Traced pensionable salary (Base Compensation) from the transmittal file to the payroll register.
 - Traced pay rates from the payroll register to the personnel files.
 - Reviewed various documents as necessary to determine if the following elements were reported correctly; member date of birth, date of hire, eligible date of membership, class of employee, gender, date of termination, employment status, plan code, service period, member entry age, member contributions, employer offset contributions, code section 401(a)(17) limits, and pensionable compensation limits for PEPRA members.
- Reviewed the District's enrollment practices for temporary and part-time employees to determine if employees met the District's membership criteria and any applicable PEPRA requirements.
- Reviewed the District's enrollment practices pertaining to independent contractors to determine if individuals met the District's membership criteria.

This audit was planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions. Internal Audit believes the evidence obtained provides a reasonable basis for the findings and recommendations.

Internal Audit would like to thank SDCERS and San Diego Unified Port District management and staff for their cooperation with the performance of this audit.

INTRODUCTION

Background

SDCERS administers three separate defined benefit pension plans for the District, the City of San Diego, and the San Diego County Regional Airport Authority. SDCERS provides service retirement, disability retirement, death and survivor benefits to its participants. The District has contracted with SDCERS to administer retirement benefits for District employees and beneficiaries since 1963.

Each pay period the District provides SDCERS a transmittal file that contains information such as member name, pensionable salary, member contributions, class of employee, and member date of birth. The transmittal file is used by SDCERS to update each member's data contained within SDCERS' pension administration system. Member data is used by SDCERS to determine items such as service retirement eligibility, monthly base salary for benefits, benefit formula, and death benefits. Collectively, the underlying member data is referred to as census data. On a yearly basis SDCERS sends the census data to the Plan actuary, Cheiron, to provide an actuarial valuation. The actuarial valuation provides the financial condition of the District Plan, the past and expected trends in the financial condition of the District Plan, the District's employer and member contribution rates, and other information required by the Governmental Accounting Standards Board.

San Diego Unified Port District – Membership Total			
Valuation as of:	June 30, 2013		June 30, 2012
Active Counts	417		435
Terminated Vested	286		290
Disabled	64		64
Retirees	346		342
Beneficiaries	75		69
Total District Members	<u>1,188</u>		<u>1,200</u>
Active Member Payroll	\$ 34,528,283		\$ 35,872,676
Average Pay Per Active	\$ 82,802		\$ 82,466
Benefits in Pay Status	\$ 18,670,937		\$ 17,847,930
Average Benefit	\$ 38,497		\$ 37,575

Source: SDCERS – San Diego Unified Port District Actuarial Valuation as of June 30, 2013

Priority Rating Process

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, medium, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks associated with the process being audited.

Medium - Represents a finding requiring timely action by management to mitigate risks associated with the process being audited.

Low - Represents a finding for corrective action by management to mitigate risks with the process being audited.

AUDIT RESULTS

Based on detailed testing of twenty-five individuals from two pay periods, control strengths were identified, as well as issues that should be addressed to further strengthen controls.

Control Strengths Identified

Listed below are the control strengths identified:

- The following elements were correctly reported to SDCERS for all tested employees; date of birth, classification of employee, gender, date of termination, employment status, Plan code, member entry age, member contributions, and employer offset contributions.
- Pensionable compensation cap for tested members was observed.
- Membership in the Plan was correctly not established for temporary employees tested.
- Membership in the Plan was correctly not established for independent contractors tested.

Below are issues that were identified and should be addressed to further strengthen controls over the District's census data.

Finding #1: Compensation that is included in the definition of Base Compensation as defined in the Amended and Restated San Diego Unified Port District Retirement Plan and Trust is not being reported to SDCERS as pensionable salary.

Priority Rating: High

Base Compensation as defined in the Amended and Restated San Diego Unified Port District Retirement Plan and Trust is defined as wages the District pays its employees, which are used to calculate the Participants' Normal, COL, and Surviving Spouse or Domestic Partner Contributions. Base Compensation is defined in the Salary Ordinance enacted by the Port Commissioners. The District must provide to the Administrator a copy of any resolution or ordinance approved by the Port Commissioners that amends the definition of Base Compensation. The Amended and Restated San Diego Unified Port District Retirement Plan and Trust was effective December 1, 2009.

Salary Ordinance 2648 states retirement benefits will be based upon compensation subject to retirement contributions, otherwise known as pensionable. Compensation subject to retirement contributions includes pay, plus the following premium pay items and differentials: educational incentive pay; bilingual pay; Narcotics Task Force Officer Pay; dive team pay; Field Officer Training pay; canine pay; court witness pay; floating holiday; paycheck correction adjustments; Watch Commander differential; stipends; standby pay; car allowance; holiday pay; acting out of class pay; temporary assignment differentials; fuel truck driver; back flow repair; oversight of county fair work fair crew; pesticide applicator; railroad repair worker; Lead Plumber; Lead Electrician; Lead Maintenance Mechanic; Lead Equipment Mechanic; Lead Equipment Operator; Lead Equipment Operator I; Lead Equipment Operator II; Lead Maintenance Worker II; Lead Maintenance Worker III; Lead Gardner II; Lead Custodian; Lead Diver; Lead Boat Operator; night shift; Lead night shift; Lead regular shift; Lead Traffic Enforcement Officer. (These compensations subject to retirement contribution are documented as a result of the "Andrecht Settlement"). The Salary Ordinance also states, any new or additional premium pay items or differentials will be subject to retirement contributions, unless specifically excluded in the Memorandum of Understandings or Salary Ordinance establishing the additional items.

Finding #1 (Continued): Compensation that is included in the definition of Base Compensation as defined in the Amended and Restated San Diego Unified Port District Retirement Plan and Trust is not being reported to SDCERS as pensionable salary.

Priority Rating: High

The District’s payroll system (SAP) has been configured to calculate Base Compensation based on pensionable and non-pensionable wage types. The wage type 9531 Special Assign Pos (HP) is included in the definition of Base Compensation as defined in the Plan and has not been reported to SDCERS as pensionable salary. The amount of salaries and wages paid as wage type 9531 Special Assign Pos (HP), and not reported to SDCERS as Base Compensation, for the period July 8, 2011 through June 21, 2013 was \$36,661.00.

Employee and employer contribution rates are established by SDCERS, based on the advice of the Actuary, multiplied by the member’s Base Compensation. The District’s weighted contribution rates for June 30, 2012 and 2013 were 33.16% and 38.82% respectively. Member contribution rates vary by age at time of entrance into the Plan. A portion of member contributions may be offset by the District. Member contribution rates for the years ending June 30, 2012 and 2013 are show below.

Member Contribution Rates			
General			
2012		2013	
First \$400/Month	Over \$400/Month	First \$400/Month	Over \$400/Month
5.52% - 8.87%	8.28% - 13.31%	5.52% - 8.87%	8.28% - 13.31%
Safety			
2012		2013	
First \$400/Month	Over \$400/Month	First \$400/Month	Over \$400/Month
7.75% - 11.16%	11.63% - 16.74%	7.75% - 11.16%	11.63% - 16.74%

Recommendation #1: District management should establish procedures to ensure all wage types reported to SDCERS are consistent with the Board adopted definition of Base Compensation. In addition, District management should determine the individuals affected, for all Plan years, and communicate to SDCERS the Member accounts required to be corrected. Member contributions should be made to SDCERS based on these amounts.

Finding #2: The District is incorrectly calculating compensation to employees that receive both a night shift premium and a bilingual shift differential.

Priority Rating: Low

The District's Memorandum of Understandings include a provision for employees to receive a night shift premium in the amount of \$1.50 per hour for non-sworn employees, and \$1.60 per hour for sworn officers when at least 50% of an employee's shift falls between the hours of 6:00 p.m. and 8:00 a.m.

The District's Memorandum of Understandings state that, "Subject to the limitations and prerequisites for eligibility set forth in Administrative Procedure 128-202, any full-time qualifying employee in any classification within the unit represented by the UNION, who has been determined by the Appointing Authority, with Human Resources concurrence, to be eligible for bilingual compensation, shall receive compensation at the rate of 2.5% above the employee's unadjusted base salary."

The District's Salary Ordinance 2618 states, "Any full-time employee in Harbor Police classes E515-CNR03 (Harbor Police Officer), E505-CNR03 (Harbor Police Corporal), E510-CNR03 (Harbor Police Sergeant), and E520-CNR03 (Harbor Police Lieutenant) whose qualifications for bilingual ability have been determined by the Executive Director, shall receive said compensation at the rate of two and one-half percent (2.5%) higher than the regular rate while assigned to perform bilingual services in any language where need has been demonstrated and such additional language is recommended by the Chief of the Harbor Police and approved by the Executive Director." In addition the Salary Ordinance states, "In addition to the sworn officer classifications listed above, and subject to the limitations and prerequisites for eligibility as set forth in a District Administrative Procedure, any full-time qualifying employee shall receive two and one-half percent (2.5%) above the employee base pay."

The District is calculating employee compensation equal to: (unadjusted salary + night shift premium) x bilingual shift differential. The night shift premium is in addition to the unadjusted salary and is not eligible for the bilingual shift differential. This results in an overpayment to the employee equal to the amount of the night shift premium multiplied by the bilingual shift differential.

One employee was overpaid by \$3.34 for one pay period tested. The overpayment of \$3.34 was reported to SDCERS as Base Compensation.

Recommendation #2: District management should establish procedures to ensure the calculation of compensation is consistent with the Memorandum of Understandings. In addition, the District Board should determine if the overpayment to employees receiving both a night shift premium and bilingual shift differential will be repaid and if the overpayment is correctly included in Base Compensation. If the overpayment was incorrectly included in Base Compensation, District management should determine the number of individuals affected, for all Plan years, and communicate to SDCERS the Member accounts required to be corrected.

Finding #3: The District has reported Base Compensation in incorrect pay periods.

Priority Rating: Medium

The Memorandum of Understanding between the District and the San Diego Harbor Police Officers Association includes an educational incentive pay in the amount of \$275.00 per month for an Intermediate Peace Officer Standards and Training (P.O.S.T.) Certificate and \$375 per month for an advanced P.O.S.T. Certificate.

One employee selected for testing obtained, and was eligible for, an educational incentive pay of \$275 per month, or \$126.92 per pay-period, for the intermediate P.O.S.T. Certificate beginning with the November 30, 2011 pay period. The educational incentive was not set up in SAP until January 12, 2012 which delayed the payment of the educational incentive until the January 20, 2012 paycheck. This employee received the educational incentive for the period November 30, 2011 through December 29, 2011 on January 20, 2012. The retroactive educational incentive of \$380.76 was incorrectly reported to SDCERS as Base Compensation for the period December 30, 2011 through January 12, 2012.

Final Compensation means, for General Members hired by the District before October 1, 2006, and Safety members hired by the District before January 1, 2010, the Member's Base Compensation for the Member's highest one-year period while contributing to (1) SDCERS before January 1, 2003, or (2) the Plan. For General Members hired by the District on or after October 1, 2006, and Miscellaneous Members, Final Compensation means the Member's average Base Compensation for his or her highest three-year period while contributing to the Plan. For Safety Members hired by the District on or after January 1, 2010, Final Compensation means the Member's average Base Compensation for his or her final three year period while contributing to the Plan.

The educational incentive should have been reported to SDCERS as an adjustment of previously submitted salary data. Inclusion of educational incentives, or any wage type included in Base Compensation, into an incorrect period could incorrectly increase a member's highest one-year or three-year period. An increase to a member's highest one-year or three-year period would incorrectly result in an increase to a member's retirement benefit.

Recommendation #3: District management should establish procedures to ensure any wage type included in Base Compensation is reported in the correct pay period. In addition District management should determine the number of individuals affected, for all Plan years, and communicate to SDCERS the Member accounts required to be corrected.

Finding #4: Base Compensation for employees who work less than 80 hours in a pay period is incorrectly reported to SDCERS. The corresponding member contributions are being calculated on the incorrect Base Compensation.

Finding #5: The District has not provided SDCERS the actual hours worked for members that work less than 80 hours in a pay period. Those members are incorrectly granted Service Credit in excess of the Service Credit earned as provided in the current Plan document.

Priority Rating: High

Base Compensation as defined in the Plan is the wages the District pays its employees, which are used to calculate the Participants' Normal, COL and Surviving Spouse or Domestic Partner Contributions. Base Compensation is defined in the Salary Ordinance enacted by the Port Commissioners.

Service Credit as defined in the Plan means the years or partial years of service purchased by a Member under Division 11 of the Plan, and the years of service received by a Member under Division 10 of the Plan and the years or partial years earned by a Member while the Member is employed by the City, the District or the Airport Authority and contributing to (1) SDCERS before January 1, 2003 or (2) the Plan.

A member's retirement percentage is calculated by determining the retirement calculation factor that corresponds to the member's age at retirement and multiplying it by the member's years of Service Credit.

Section 26(A)(d) of the District's 2010-2011, 2011-2012 and 2012-2013 Salary Ordinance's, which defines Base Compensation, states that retirement benefits will be based upon compensation subject to retirement contributions. Contributions are calculated based on the wages paid to a UPD employee (UPD Plan, §§0102 and 0200). SDCERS Legal Division has interpreted these provisions to mean that when an employee is absent from service without pay, the employee receives Service Credit for time actually worked for pay and makes contributions only on those wages actually paid during the 80-hour pay period.

The District's payroll system (SAP) has been configured to calculate Base Compensation equal to Standard Hours x Standard Rate. Standard Hours are configured in SAP as 80 hours per pay period. The Standard Rate is configured in SAP to include pay, premium pay items and differentials.

The District has not provided SDCERS the actual hours worked for members that work less than 80 hours in a pay period. As a result SDCERS has granted 80 hours of Service Credit per pay period to each member.

One employee selected for testing received pay of \$1,187.97 for 68 hours of work performed. The Base Compensation reported to SDCERS was \$1,397.60. Retirement contributions, from both the Member and the District, were based on the \$1,397.60. The amount paid to this employee plus any premium pay items and differentials does not agree to the Base Compensation reported to SDCERS. In addition, this member was incorrectly granted 80 hours of Service Credit during this pay period.

Finding #4 (Continued): Base Compensation for employees who work less than 80 hours in a pay period is incorrectly reported to SDCERS. The corresponding member contributions are being calculated on the incorrect Base Compensation.

Finding #5 (Continued): The District has not provided SDCERS the actual hours worked for members that work less than 80 hours in a pay period. Those members are incorrectly granted Service Credit in excess of the Service Credit earned as provided in the current Plan document.

Priority Rating: High

For the two pay periods selected there were eighteen members identified, including the Member noted above, that had Base Compensation reported in excess of amounts paid and Service Credit granted in excess of Service Credit earned. The amount of Base Compensation and Service Credit for the eighteen employees is detailed below:

	Amount
Base Compensation Reported	\$ 40,595.48
Base Compensation Paid	\$ 28,956.47
Variance	\$ 11,639.01
Service Credit Granted	1,440 hours
Service Credit Earned	1,017 hours
Variance	423 hours

Recommendation #4: District management should consider making corrections to SAP to ensure amounts reported to SDCERS as Base Compensation agree to Plan documentation. In addition, District management should determine the number of individuals affected, for all Plan years, and communicate to SDCERS the Member accounts required to be corrected.

Recommendation #5: The District should provide SDCERS the actual hours worked for members that work less than 80 hours in a pay period. In addition, District management should determine the number of individuals affected, for all Plan years, and communicate to SDCERS the Member accounts required to be corrected.

Finding #6: Supporting documentation of an employee differential was missing.

Priority Rating: Low

Salary Ordinance 2618 includes a provision for sworn officers to receive compensation at the rate of two and one-half percent (2.5%) higher than the regular rate while assigned to perform bilingual services in any language where need has been demonstrated and such additional language is recommended by the Chief of the Harbor Police and approved by the Executive Director. In addition the Salary Ordinance provides that subject to the limitations and prerequisites for eligibility as set forth in a District Administrative Procedure, any full-time qualifying employee shall receive two and one-half percent (2.5%) above the employee base pay while assigned to perform bilingual services.

One employee selected for testing is receiving a bilingual pay differential of 2.5%. The employee requested to be tested for bilingual ability on April 30, 2003. On May 5, 2003 management requested the employee be tested for bilingual ability. This employee has been receiving the bilingual pay differential since October 17, 2003. The bilingual pay differential is included in, and reported to SDCERS, as Base Compensation. There was however, no documentation in the employees file determining his bilingual qualifications. Retirement contributions, from both the Member and the District, were based on the employee receiving the bilingual differential.

Recommendation #6: District management should establish procedures to ensure supporting documentation is retained for all employee differentials. In addition, District management should determine if the employee receiving the bilingual differential is entitled to this additional benefit. If not, the District should determine if the amounts paid to the employee will be repaid. If the bilingual differential was incorrectly paid and included in Base Compensation the District should determine the amount overpaid, for all Plan years, and communicate to SDCERS the amounts required to be corrected.

Finding #7: An employee's date of hire reported to SDCERS did not agree to supporting documentation.

Priority Rating: Medium

Employee Contributions are determined by multiplying the Member's Base Compensation by a rate based on the Member's age at the Member's nearest birthday on the Member's effective date of membership with the Plan or its predecessor, the SDCERS Plan. A Miscellaneous Member's Employee Contributions is determined by multiplying the Miscellaneous Member's Base Compensation by a rate based on the Miscellaneous Member's age at his or her nearest birthday on the first day of his or her sixth year of District employment.

Member contribution rates for the years ending June 30, 2012 and 2013 are show below.

Member Contribution Rates			
General			
2012		2013	
First \$400/Month	Over \$400/Month	First \$400/Month	Over \$400/Month
5.52% - 8.87%	8.28% - 13.31%	5.52% - 8.87%	8.28% - 13.31%
Safety			
2012		2013	
First \$400/Month	Over \$400/Month	First \$400/Month	Over \$400/Month
7.75% - 11.16%	11.63% - 16.74%	7.75% - 11.16%	11.63% - 16.74%

Service Credit as defined in the Plan means the years or partial years of service purchased by a Member under Division 11 of the Plan, and the years of service received by a Member under Division 10 of the Plan and the years or partial years earned by a Member while the Member is employed by the City, the District or the Airport Authority and contributing to (1) SDCERS before January 1, 2003 or (2) the Plan.

One employee selected for testing had a date of hire reported to SDCERS as November 20, 1998. The documentation in the employee file indicated the employee was hired November 20, 1998, but was subsequently changed to November 23, 1998. This employee's member contribution rate is not affected by the incorrect date of hire. Service Credit for this member has incorrectly been granted for the period November 20, 1998 through November 22, 1998. This change in hire date was not reported to SDCERS.

Recommendation #7: District management should establish procedures to ensure any corrections to employee's date of hire are communicated to SDCERS on a timely basis. District management should also determine if other member accounts require date of hire corrections, and that determination should be communicated to SDCERS.

October 22, 2014

Lee Parravano, Internal Auditor
San Diego City Employee's Retirement System
401 West A Street, Suite 400
San Diego, CA 92101

Dear Mr. Parravano,

The San Diego Unified Port District ("District") is in receipt of your draft Plan Sponsor Contribution and Reporting Audit for the period July 1, 2011 through June 30, 2013.

The Executive Leadership Group of the District, as well as appropriate Human Resources staff, have reviewed the audit findings and recommendations. Attached please find the District's response.

Thank you for your efforts in ensuring our plan compliance. It was a pleasure meeting you and working with you through the process. Please let us know if you have any additional questions or concerns.

Regards,



Michelle A. Corbin
Director, Human Resources

cc: Robert Monson, POA Auditor
Karen Porteous, Executive Vice President, Administration

Attachment

San Diego Unified Port District - Response

Finding # 1: Compensation that is included in the definition of base compensation as defined in the amended and restated San Diego Unified Port District retirement plan and trust is not being reported to SDCERS as pensionable salary.

Response # 1: The District agrees with this finding. As a result of this audit, we have determined that wage type 9531 (special assignment pay) was not correctly configured in SAP. This has been corrected as of October 3, 2014. Retroactively District staff will put a plan in place to determine who was eligible for the pay and correct each and every pay to reflect the pensionable earnings back to the inception of SAP in July 2003.

Finding # 2: The District is incorrectly calculating compensation to employees that receive both a night shift premium and a bilingual shift differential.

Response # 2: The District agrees with this finding. As a result of this audit, we have determined that bilingual compensation was incorrectly configured to be calculated on all pay and not just base pay. This will be corrected prospectively.

Finding # 3: The District has reported base compensation in incorrect pay periods.

Response # 3: The District agrees with this finding. Appropriate staff will be re-trained on the correct process. This is a personnel issue and will be handled accordingly.

Finding # 4: Base compensation for employees who work less than 80 hours in a pay period is incorrectly reported to SDCERS. The corresponding member contributions are being calculated on the incorrect base compensation.

Finding # 5: The District has not provided SDCERS the actual hours worked for members that work less than 80 hours in a pay period. Those members are incorrectly granted Service Credit in excess of the Service Credit earned as provided in the current Plan document.

Response # 4 and # 5:

The District agrees with these findings. District staff has been working with the SDCERS General Counsel and staff on a plan amendment. Delays have ensued due to questions on the application of PEPRA and the need to meet and confer. This amendment will correct the plan document to reflect the current practice.

Finding #6: Supporting documentation of an employee differential was missing.

Response #6: The District agrees with this finding. The audit showed that there was least one instance where the back-up documentation for bilingual pay was missing. Human Resources staff has audited the remaining employee personnel files for employee's receiving bilingual pay. Per a recommendation from the Port Auditor, subject to meet and confer the District will begin requiring employees to re-certify their bilingual ability every three years.

Finding #7: An employee's date of hire reported to SDCERS did not agree to supporting documentation.

Response #7: The District agrees with this finding. The record will be corrected to reflect the correct date of hire.