

MEMORANDUM

TO: HONORABLE MAYOR & CITY COUNCIL MEMBERS
FROM: KATHRYN DOWNS, ACTING FINANCE DIRECTOR (KD)
DATE: APRIL 7, 2015
SUBJECT: 2014 EMPLOYEE COMPENSATION AND BENEFITS
ANALYSIS – AGREED-UPON PROCEDURES REPORT
(Supports 2014 City Council Goal of Government
Efficiency, Accountability, Fiscal Control,
Transparency and Oversight)
REVIEWED: DOUG WILLMORE, CITY MANAGER (DW)

RECOMMENDATION

Receive and file the Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to City Employee Compensation, for the calendar year ended December 31, 2014 (Attachment A).

BACKGROUND AND DISCUSSION

On March 3, 2014, the City Council authorized the City's independent financial statement auditor, Vavrinek, Trine, Day & Co., LLP (VTD), to complete Agreed-Upon Procedures (AUP) for the calendar year 2014 Employee Compensation and Benefits Analysis ("Analysis").

VTD has completed the engagement and issued the report. Gross pay was traced from the City's payroll system, to the W-2 filing, and to the Analysis. VTD sampled 20 employees, and traced amounts in the Analysis to supporting documentation. No exceptions were noted.

**2014 Employee Compensation and Benefits Analysis – Agreed-Upon Procedures
Report
April 7, 2015
Page 2 of 2**

Attachment

A – Independent Accountants' Report on Agreed-Upon Procedures Performed with Respect to City Employee Compensation, for the calendar year ended December 31, 2014 (page 3 of the agenda item)

CITY OF RANCHO PALOS VERDES

**Independent Accountants' Report on
Agreed-Upon Procedures Performed
with Respect to City Employee Compensation**

For the Calendar year ended December 31, 2014



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES PERFORMED
WITH RESPECT TO CITY EMPLOYEE COMPENSATION**

The Honorable City Council
of the City of Rancho Palos Verdes
Rancho Palos Verdes, California

We have performed the procedures enumerated below, which were agreed to by the City of Rancho Palos Verdes, California (City) solely to assist you with respect to your evaluation of selected provisions of City employee compensation for the calendar year ended December 31, 2014. The City's management is responsible for the execution of the provisions related to the employment of City personnel. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. Trace applicable information on the City employee compensation worksheet prepared by the City to applicable Internal Revenue Service and Franchise Tax Board filings.

Result: We traced the gross pay information on the worksheet prepared by the City to the ADP Master Control report. We obtained a reconciliation of the gross pay information on the worksheet to the W-2 filing. We traced reconciling items to the ADP Master Control report. We traced the reconciled amount to the W-2 filing. No exceptions were noted.

2. Select a sample of twenty (20) employees from the following:
 - a. Five (5) management personnel – selected haphazardly
 - b. Five (5) part-time personnel including one (1) City Council member – selected haphazardly
 - c. Ten (10) full-time non-management personnel - selected haphazardly

For the selected sample, trace the following to City personnel records, contracts (if applicable), policies, and other supporting documentation:

- d. Payroll
 - i. Annual salary
 - ii. Overtime
 - iii. Auto allowance
 - iv. Bonus
 - v. Vacation buyout
 - vi. Health insurance in-lieu

- e. City paid benefit costs
 - i. Pension benefits
 - ii. Insurance – including but not limited to medical, vision, and dental
 - iii. Medicare
 - iv. Retirement health savings account contribution
 - v. Deferred compensation
- f. Benefits – Earned hours only
 - i. Wellness
 - ii. Administrative leave
 - iii. Sick leave
 - iv. Holidays
 - v. Vacation
 - vi. Compensatory time

Result: We selected a sample of 20 City employees including five management personnel, five part-time personnel including one City Council member, and ten full-time non-management personnel. We traced applicable provisions as listed above to supporting documentation. No exceptions were noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the provisions of City employee compensation, related internal control, compliance with government code, or elements, accounts or items specified above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than those specified parties.

Vannick, Trine, Day & Co. LLP

Rancho Cucamonga, California
March 23, 2015