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Sent: Thursday, December 17, 2020 3:50 PM

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Subject: RE: Questions on Late Deposit of Nationwide 457 Plan-County of Monterey Deposit for 11/13/2020-11/17/2020

Hi Irma,

The ACO needed to understand the full picture of what transpired around the late deposit issue.

From review of the available information, the following is our understanding:

11/16: HR staff noticed 11/13 deposit was not credited in participants accounts

11/16: HR team contacted Nationwide

11/16: Nationwide informed HR team of County's 11/13 transmittal future dated (to 11/19), therefore the funds were not pulled by Nationwide

11/17: HR team instructed Nationwide to fix / 'backdate'

11/17: Nationwide backdated and credited funds effective 11/13 in participants accounts

11/18: Deferred Comp regular quarterly Committee meeting – Committee members were not aware of the issue; the issue was not on the agenda. The issue was verbally presented for discussion and to seek committee's approval on the source of funds (Revenue Sharing) to reimburse Nationwide as they had backdated (made participants whole) upon receiving instructions from HR.

The above indicates that the decision of 'making the participants whole' was made without conferring with 1) the ACO team (who transmits the funds, to allow full understanding and investigation of what happened) and 2) Committee members, who administer the program and make program decisions.

The ACO has conducted a *second* layer of research to understand the Plan's options under this clerical error (transmittal delay) scenario:

According to the IRS codes and the County's contract with Nationwide, the County has 15 days after the end of the month to transmit the collected funds to the custodian. Although, it is strongly encouraged to transmit funds as soon as possible, which is the County's current normal process (transfer on the payday), the County is not required by law/contract to take any steps for the brief inadvertent delay in transmittal. Thanks to the HR team's vigilance, the delay was caught well before the required fund transfer timeline.

A *third* layer of the ACO's research and review revealed that Nationwide's 'backdating' process to make participants whole, is not limited to a simple, straight forward one transaction that could be easily reversed. Reversal option, otherwise, would have provided a logical solution here since a) no action was needed by the County (and Nationwide), b) to avoid setting a precedence.

However, since reversal would not be feasible in this instance due to complexity, the ACO is unable to recommend it. The option of reimbursing Nationwide from County's funds (as suggested by a committee member in 11/18 meeting) is neither warranted nor appropriate. Though, ACO has a limited

understanding of “Revenue Sharing’ account, it seems a more viable option from which to reimburse Nationwide.

This analysis though, has shed a light on another area in the program’s process that can be improved, which would generate a gain of 26 days annually by having the funds credited a day early in participants accounts each pay-period. The ACO has coordinated with Nationwide, the County Treasury, and tested it out to implement the change effective January 2021.

We are available to meet to further discuss.

Thank You.

Rupa

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