Office of Audit Services

Public Agency Review

Calaveras County Water District

CalPERS ID: 5932694906
Job Number: P14-057

August 2015

California Public Employees' Retirement System
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August 31, 2015

CalPERS ID: 5932694906
Job Number: P14-057

Stacey Lollar, Human Resources Manager
Calaveras County Water District
120 Toma Court
San Andreas, CA 95249

Dear Ms.Lollar:

Enclosed is our final report on the results of the public agency review completed for the Calaveras County Water District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report. We appreciate the additional information regarding Finding 1 that you provided in your response. Upon further review of this finding, we modified the language for Finding 1. In addition, we also clarified the language for Finding 4C.

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, Calaveras County Water District
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

CALAVERAS COUNTY WATER DISTRICT

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CALAVERAS COUNTY WATER DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Calaveras County Water District (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 during the review. Details are noted in the Results section beginning on page two of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Special compensation was incorrectly reported.
- Payrate and earnings were incorrectly reported.
- Retroactive adjustments were incorrectly reported.
- Retired annuitants' information was not reported as required.

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.

SCOPE

The Agency contracted with CalPERS effective March 1, 1969 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 2014-15, 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 January 1, 2012 through December 31, 2014. 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's pay schedules did not meet all of the Government Code and CCR requirements.

Condition:

The Agency's pay schedules effective July 1, 2012 through November 12, 2014 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedules did not indicate the time base, effective date, or payrate for each identified position. In addition, the pay schedules did not include the position title and payrate for the General Manager.

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.

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Recommendation:

The Agency should ensure its pay schedule meets all of 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

2: The Agency did not report special compensation as required by the CCR.

Condition:

A. The Agency incorrectly reported Longevity Pay with base payrate and regular earnings. Longevity Pay is defined in the Agency's written labor policies and is exclusively listed as special compensation in CCR Section 571. Therefore, Longevity Pay should be reported as special compensation separately from base payrate and regular earnings.

B. The Agency incorrectly reported Certificate Pay with base payrate and regular earnings for miscellaneous employees. Certificate Pay is defined in the written labor policy and is exclusively listed as special compensation in CCR Section 571. Therefore, Certificate Pay should be reported as special compensation separately from base payrate and regular earnings.

C. The Agency did not report the monetary value for the rental and maintenance of uniforms for miscellaneous employees required to wear uniforms. CCR Section 571 requires the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation.

D. The Agency's written labor policy did not indicate the conditions for payment, including the monetary value, of the uniforms and uniform maintenance. CCR Section 571 requires that the conditions for payment including, but not limited to, eligibility for, and amount of, the special compensation be included in a written labor policy or agreement.

Reportable special compensation is exclusively listed and defined in CCR Section 571. Reportable special compensation is required to be contained in a written labor policy or agreement indicating the eligibility for 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. In addition, special compensation must not be paid exclusively in the final compensation period and not be final settlement pay.

Recommendation:

The Agency should report special compensation separately from base payrate and regular earnings.

The Agency should report the monetary value for the rental and maintenance of uniforms as special compensation.

The Agency should ensure the conditions for payment of uniforms and uniform maintenance are included in a written labor policy.

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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3: The Agency incorrectly reported non-reportable compensation.

Condition:

A. The Agency incorrectly reported an additional two percent in payrate and earnings for Wastewater Work Stipend in the pay period ended December 31, 2014. The MOU for miscellaneous employees provided an additional two percent of base pay to those employees assigned to work in and around wastewater. However, the Wastewater Stipend did not meet the definition of payrate. Therefore, it is not reportable. Government Code Section 20636 defines payrate 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 a publicly available pay schedule. Because the Wastewater Work Stipend did not meet the definition of special compensation as required by Government Code Section 20636 and CCR Section 571, it cannot be reported as special compensation.

B. The Agency incorrectly reported Pay for Performance in base payrate and regular earnings. The Agency's pay schedule identified additional compensation, as Performance Ranges A through D. The additional compensation may be awarded at the General Manager's discretion on an annual basis for outstanding performance to employees who reached the maximum salary step on the pay schedule. For example, an employee received a monthly payrate of $11,826.00 that was identified on the pay schedule under "Performance Range A." However, Pay for Performance did not meet the requirement for payrate defined as the normal monthly rate of pay or base pay paid 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 a publicly available pay schedule. In addition, the Agency did not have a program or system in place to plan and identify performance goals and objectives as required by CCR Section 571. Therefore, it did not meet the definition of special compensation as required by Government Code Section 20636 and CCR Section 571 and cannot be reported as special compensation.

Recommendation:

The Agency should not report compensation earnable that does not meet the requirements of Government Code Section 20636 and CCR Section 571.

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, § 20691
CCR: §571

4: The Agency incorrectly reported retroactive salary adjustments.

Condition:

A. The Agency incorrectly reported a retroactive salary adjustment for an employee in pay period ended May 31, 2013. Specifically, the employee received a salary increase of $325.00 on September 30, 2013 that was retroactive to May 16, 2013. The Agency incorrectly reported the retroactive salary adjustment as a lump sum payment of $1,300.00 in the pay period ended May 31, 2013. The Agency should have reported the retroactive salary adjustment in each earned period.

B. The Agency incorrectly reported retroactive salary adjustments for an employee who received a salary increase effective July 1, 2013. Specifically, the employee received a pay increase in August of 2013 that was retroactive to July 1, 2013. The Agency reported a retroactive salary adjustment of $274.00 in the bi-weekly pay period ending July 31, 2013. The salary adjustment of $274.00 was for two bi-weekly pay periods in July. Therefore, the Agency should have reported the retroactive salary adjustment of $137.00 in each earned period.

C. The Agency incorrectly reported a retroactive adjustment. The Agency reported Backhoe Certification Pay in the amount of $54.49 for the pay periods September 17, 2012 through June 15, 2014 and $55.09 in the pay period ended June 30, 2014. Backhoe Certification pay is based on a percentage of the employee's payrate. However, the Agency did not use the correct payrate in its calculation of the special compensation item.

Recommendation:

The Agency should ensure that retroactive salary adjustments are reported in the correct earned pay periods.

The Agency should ensure that retroactive adjustment for special compensation is calculated and reported correctly in the pay periods earned.

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.

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Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: § 571

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5: The Agency did not report retired annuitant information to CalPERS.

Condition:

The Agency did not report retired annuitant information in my|CalPERS to allow monitoring of the 960-hour limit per fiscal year. Although the retired annuitant did not exceed the 960-hour threshold in Fiscal Year 2012-13, the Agency did not report required information, such as total hours worked.

Recommendation:

The Agency should report retired annuitant information in my|CalPERS as required.

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

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Observation: 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 requirements under the Governmental Accounting Standards Board (GASB) Statement No. 67. 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 noted discrepancies between the Agency's records and my|CalPERS database. Specifically, an employee's name from the Agency's personal records did not agree to CalPERS records. 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, Senior Manager
Sean Gerardo, Auditor
Christopher Lee, Auditor

APPENDIX A

OBJECTIVES

CALAVERAS COUNTY WATER DISTRICT

OBJECTIVES

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

- Applicable sections of the California Government Code (Sections 20000 et seq.), California Public Employees' Pension Reform Act of 2013 (PEPRA) and Title 2 of the CCR.
- Reporting and enrollment procedures prescribed in the Agency's retirement contract with CalPERS.

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

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.

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- ✓ 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.

- ✓ 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 for 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

.

CALAVERAS COUNTY WATER DISTRICT

120 Toma Court • P O Box 846 • San Andreas, CA 95249 • (209) 754-3543

August 11, 2015

Sean Gerardo,
California Public Employees' Retirement System
PO Box 942701
Sacramento, CA 94229-2701

RE: Calaveras County Water District, CalPERS ID: 5932694906, Compliance Review Audit Response, Job Number P14-057.

The District is in receipt of the draft compliance review report dated July 14, 2015. The findings and recommendations in the report have been read and the District would like to respond as follows:

Finding 1: The Agency's pay schedules did not meet all the Government Code CCR requirements - The District would like further clarification on the finding that "...the pay schedules were not approved and adopted by the board." The pay schedules for both the SEIU Local 1021 and the Management and Confidential Units are included in their respective MOU and Agreement. These MOU's and Agreements are approved and adopted by the Calaveras County Water District's Board of Directors and I can provide CalPERS with a copy of the resolution for each MOU/Agreement.

Furthermore, the District agrees with the finding that the pay schedule does not include the position title and pay rate for the General Manager position. The District looks forward to working with CalPERS Employer Account Management Division (EAMD) to ensure the District's pay schedule meets all of the Government Code and CCR requirements.

Finding 2: The Agency did not report special compensation as required by the CCR – The District agrees with this finding and looks forward to work with EAMD to begin reporting special compensation correctly, pursuant to Government Code Section 20160.

Finding 3: The Agency incorrectly reported non-reportable compensation - The District agrees with this finding and looks forward to work with EAMD to make any adjustments to correctly report non-reportable compensation, pursuant to Government Code Section 20160.

Finding 4: The Agency incorrectly reported retroactive salary adjustments - The District agrees with this finding and looks forward to work with EAMD to make any adjustments needed from

incorrectly reporting retroactive salary adjustments, pursuant to Government Code Section 20160.

Finding 5: The Agency did not report retired annuitant information to CalPERS - The District agrees with this finding and looks forward to work with EAMD to make any adjustments needed from not reporting retired annuitant information to CalPERS, pursuant to Government Code Section 20160.

Again, the District looks forward to working with CalPERS to make the necessary recommendations as noted in the compliance review audit report.

Sincerely,

[redacted] Original signed by Stacey Lollar

Stacey Lollar, PHR
Human Resources Manager