

Office of Audit Services



CalPERS

Public Agency Review

City of Atascadero

CalPERS ID: 1298901388
Job Number: SP15-024

March 2016



California Public Employees' Retirement System
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March 24, 2016

CalPERS ID: 1298901388
Job Number: SP15-024

Jeri Rangel, Director of Administrative Services
City of Atascadero
6500 Palma Avenue
Atascadero, CA 93422

Dear Ms. Rangel:

Enclosed is our final report on the results of the public agency review completed for the City of Atascadero (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted 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. 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, City of Atascadero
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

CITY OF ATASCADERO

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results	2
1: Special Compensation	2
Observation: Census Data Reporting.....	4
Conclusion	5
Objectives	Appendix A
Agency's Written Response	Appendix B

CITY OF ATASCADERO

RESULTS IN BRIEF

The objective of our review was to determine whether the City of Atascadero (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 and observation during the review. Details are noted in the Results section beginning on page three of this report.

- Special compensation was not reported in accordance with the Government Code and CCR.
- Observation: Agency records did not agree with my|CalPERS information.

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 April 19, 1980 to provide retirement benefits for local miscellaneous and safety (police and fire) employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and 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 CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

CITY OF ATASCADERO

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not report special compensation in accordance with the Government Code and CCR.

Condition:

- A. The Agency did not report Fair Labor Standards Act (FLSA) premium pay as special compensation. Specifically, the Agency did not report FLSA premium pay for fire safety employees who worked 24-hour shifts. The fire safety employees work an average of 56 hours per week, and are paid a premium when they work more than 212 hours in a 28-day period. The premium paid for hours worked above 212, and up to the normal scheduled hours is reportable to CalPERS as special compensation. The normal hours will vary depending on the number of shifts scheduled in a 28-day period. Any work performed above the normal schedule hours would be considered overtime and would not be reported. Government Code Section 20636(c)(6) and CCR 571(a) states that premium pay for hours worked within the normally scheduled or regular working hours that are in excess of the maximum work week or period established by FLSA are to be reported as special compensation.
- B. The Agency incorrectly reported Uniform Allowance as lump sum amounts for fire safety employees. Specifically, the Agency provided an annual Uniform Allowance of \$850.00, which was paid and reported in the pay period ended July 23, 2013. Government Code Section 20636(c)(3) requires the Agency to identify the pay period(s) in which special compensation was earned.
- C. The Agency did not report the monetary value for the purchase and maintenance of uniforms as special compensation for classic employees. Specifically, the Agency provided and maintained uniforms for employees in the Police Department, but did not report the monetary value for the purchase and maintenance of required clothing. CCR Section 571 requires compensation paid for the monetary value for the purchase, rental, and/or maintenance of required clothing be reported as special compensation.
- D. The Agency's written labor policy for Police Department employees did not include the conditions for payment of the uniforms. Specifically, the written labor policy contained a provision for providing uniforms; however, it did not identify uniform amounts. CCR Section 571(b) requires the written labor

CITY OF ATASCADERO

policy or agreement contain the conditions for payment of, including, but not limited to, eligibility for, and amount of, the special compensation.

Reportable special compensation is defined in CCR Section 571 (a) and must be reported if it conforms with all of the requirements listed in CCR Section 571 (b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility 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.

Recommendation:

The Agency should ensure that the FLSA premium pay is reported as a special compensation.

The Agency should report special compensation for the period(s) it was earned.

The Agency should report the compensation paid and monetary value for the purchase, rental and/or maintenance of required clothing as special compensation for classic members.

The Agency should ensure the conditions for payment of special compensation items are contained in a written labor policy or agreement.

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, § 20630, § 20636
CCR: § 571

CITY OF ATASCADERO

Observation: The Agency's records do not agree with my|CalPERS information.

Condition:

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. 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 identified two employees who had hire dates that were different from the hire dates in my|CalPERS. The hire dates in my|CalPERS were based on the contract effective date instead of the actual date of hire. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

CITY OF ATASCADERO

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
Chris Wall, Senior Manager
Antonio Madrigal, Lead Auditor

CITY OF ATASCADERO

APPENDIX A

OBJECTIVES

CITY OF ATASCADERO

OBJECTIVES

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

- Applicable sections of the Government Code (Sections 20000 et seq.), 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."

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:
 - 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 time records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Documents related to employee payrate, special compensation, and benefits
 - 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.
- ✓ 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 meetings laws.

CITY OF ATASCADERO

- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

CITY OF ATASCADERO

APPENDIX B

AGENCY'S WRITTEN RESPONSE



CITY OF ATASCADERO

March 1, 2016

Beliz Chappuie, Chief
Office of Audit Services
PO Box 942701
Sacramento, CA 94229-2701

Dear Ms. Chappuie,

Please find enclosed the City of Atascadero's response to the CalPERS compliance review. The City has reviewed the draft report and has provided written responses.

Regards,



Original signed by Jeri Rangel

Jeri Rangel
Director of Administrative Services
City of Atascadero

City of Atascadero
Public Agency Review Response

1. CalPERS Finding: The Agency did not report special compensation in accordance with the Government Code and CCR.
 - a. While the City did report FLSA premium pay as regular compensation, the City didn't report the FLSA premium as special compensation. The City will work with the appropriate CalPERS Division to correct this.
 - b. While the City reported the full value of uniforms, it was done in a lump sum. The City has now corrected this and will be reporting it accordingly going forward.
 - c. The City will work with the Operations Unit to consider viable options for reporting the monetary value of the purchase and maintenance of uniforms as special compensation for classic employees.
 - d. The City will look into what it can do with the Memorandum of Understanding (MOU) for the Police Department Dispatch to include conditions of payment of special compensation.

2. CalPERS Observation: The Agency's records do not agree with my|CalPERS information.
 - a. In this case, the employee hire dates and the membership dates were different. Before the CalPERS system converted to my|CalPERS, the old system did not have the option for the two dates, the hire date and the membership date. The City has updated the two employees listed and is researching any further adjustments that need to be made.