

Office of Audit Services



CalPERS

Public Agency Review

City of Fillmore

CalPERS ID: 6256084924
Job Number: P14-070

September 2016



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September 29, 2016

CalPERS ID: 6256084924
Job Number: P14-070

Diana Impeartrice, Human Resources Director/Deputy City Clerk
City of Fillmore
250 Central Avenue
Fillmore, CA 93015

Dear Ms. Impeartrice:

Enclosed is our final report on the results of the public agency review completed for the City of Fillmore (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Findings 2A, 2C, 3, 4A, 5B, and 5C. We appreciate the additional information regarding Finding 2C that you provided in your response. Upon further review, we removed an employee classification identified in Finding 2C and clarified the language for Finding 5B and 8. However, all recommendations remain as stated 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: City Council, City of Fillmore
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

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RESULTS IN BRIEF

The objective of our review was to determine whether the City of Fillmore (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 three of this report.

- Pay schedule did not meet all of the requirements of the California Government Code and CCR.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Payrate and Earnings were incorrectly reported to CalPERS.
- Reported earnings did not qualify as compensation as defined in the Government Code.
- Payroll information was incorrectly reported.
- Contributions were incorrectly reported.
- Retired annuitants' employment did not comply with all Government Code requirements.
- Eligible employee was not enrolled as required.
- Member reciprocal self-certification information was not maintained.

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 May 1, 1973, to provide retirement benefits for local miscellaneous and safety members. 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 audit plan, 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 July 1, 2011

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through December 30, 2014. The review objectives and methodology are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not have a pay schedule that met all the Government Code and CCR requirements.

Condition:

The Agency did not have a pay schedule that included all positions and was duly approved and adopted by the Agency's governing body in accordance with the requirements of applicable meeting laws. The Agency had salary schedules that were included in its approved written labor agreement; however, the salary schedules did not include the City Manager and Vacation/Relief Fire Chief positions. In addition, the Agency's salary schedules did not include a two percent payrate increase effective July 1, 2014 for the International Union of Operating Engineers Local 501 employees.

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

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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.

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

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

Condition:

- A. The Agency did not report Uniform Allowance for fire employees required to wear uniforms. The Agency stated the Fire Captains and Chiefs are provided with uniforms and are required to wear uniforms. OAS reviewed a Fire Chief's payroll and identified the Fire Chief received a \$1,200.00 uniform stipend on December 2, 2014. However, the stipend was not reported as special compensation. Government Code Section 20636 and CCR Section 571 require the compensation paid for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation except for items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes. Not reporting special compensation may reduce the retirement benefits that an employee is eligible to receive.
- B. The Agency's written labor policies for the fire employees and miscellaneous employees containing the provision for uniforms did not meet all the requirements of Government Code Section 20636 and CCR Section 571(b)(1)(B). Specifically, the policies did not contain any information regarding the provision of the uniforms including amounts. CCR Section 571 requires that the written labor policy or agreement must contain the conditions for payment of the item of special compensation, including, but not limited to, eligibility for, and amount of, the special compensation.
- C. The Agency did not report the value of Employer Paid Member Contributions (EPMC) for the Assistant Finance Director in pay period ended December 26, 2014. The Agency has a resolution to pay and report the value of EPMC for non-represented employees. Under reporting of special compensation may reduce the retirement benefits that an employee is eligible to receive. CCR 571 defines the value of EPMC as the full monetary value of EPMC paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class.
- D. The Agency incorrectly reported the value of safety boots as special compensation for a Maintenance Worker I. Specifically the Agency reported special compensation of \$27.54 for the employee in the pay period ended December 26, 2014 which included the value of uniforms and \$9.62 for safety boots. CCR Section 571 excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.

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Therefore, the value of the safety boots does not qualify as special compensation and should not be reported as 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 the compensation paid for the purchase, rental and/or maintenance of required clothing is reported as special compensation for fire employees.

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

The Agency should ensure it reports special compensation in accordance with the Government Code and CCR.

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 payrate and earnings.

Condition:

The Agency incorrectly reported payrate and earnings for a Fire Chief who provided additional services as the Municipal Services Director, Acting City Manager, and Interim City Manager. In addition, when the Agency promoted the employee into a newly created position of Assistant City Manager/Fire Chief, the classification of the employee may have been misreported as safety.

The Agency hired the Fire Chief on May 26, 2009 and reported the Fire Chief as a safety member with a payrate and earnings of \$7,333.34 per month. On January 15, 2010 the Fire Chief took on the duties of the Municipal Services Director. The Agency continued to report the Fire Chief under a safety classification with a payrate of \$7,333.34 per month because the employee worked full-time as the Fire Chief. At that time, the Agency correctly classified the member as safety and reported the Fire Chief's payrate in accordance with the Agency's salary schedule. However, on September 25, 2012 the Fire Chief/Municipal Services Director took on additional duties of Acting City Manager. As a result, the Agency increased the employee's payrate and earnings by 10 percent and reported an hourly payrate of \$51.35 which converts to a monthly payrate and earnings of \$8,066.23. The Agency explained to CalPERS that during this time, the employee retained 100 percent of his responsibilities as the Fire Chief, and therefore it continued to classify the employee as a safety member. Although the Agency reported the employee under the appropriate membership classification, the additional compensation earned for taking on additional responsibilities and work performed above the employee's normal working hours as the Fire Chief does not meet the definition of special compensation per Government Code Section 20636 and CCR Section 571.

Effective January 2013, the Agency appointed the employee as the Interim City Manager and increased the employee's payrate and earnings by 24 percent to \$10,000.00 per month. The increase in pay was retroactive to September 1, 2012. An employment agreement between the employee and the Agency stated that the employee would serve as the Interim City Manager with all the powers, duties and prerogatives of the City Manager as defined by the City's Municipal Code, the California Government Code, and other duties authorized by the City Council. In addition, the agreement stated the employee would also serve as the Fire Chief and Municipal Services Director. The Agency continued to report the employee under safety classification with the new payrate and earnings of \$10,000.00 per month. However, pursuant to Government Code Section 20635, when an employee renders services in two or more positions, one of which is full-time, service in the

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second position will constitute overtime. Additionally, if the second position is also a full-time position, the position with the highest payrate shall be reported.

In a resolution adopted on October 22, 2013, the Agency removed the Fire Chief and City Manager positions from the Agency's pay schedule and added a new position of Assistant City Manager/Fire Chief. The employee was promoted to this position with a monthly pay range of \$10,000.00 to \$10,416.67. The Agency continued to report the employee under a safety classification subsequent to the employee's promotion with a payrate and earnings equivalent to \$10,000.00 per month. The Agency stated that the employee continued to work full-time as the Fire Chief. However, the Agency established a higher payrate for the newly created position of Assistant City Manager/Fire Chief due in part for performing the additional duties of Assistant City Manager which is a miscellaneous classification. The Agency should have reported payrates and earnings separately for the duties performed as the Fire Chief, a safety classification, and the duties performed as the Assistant City Manager, a miscellaneous classification. By identifying how much time the employee spent performing the duties of each of the positions, CalPERS will determine what employment is considered overtime and which position is contributory and which position is non-contributory. That is unless the employee worked full-time as the Fire Chief, in which case the employee's payrate and earnings reported were overstated due to the fact that his payrate included compensation for the additional duties performed as the Assistant City Manager.

Recommendation:

The Agency should report payrate and earnings that qualify as compensation earnable in accordance with the Government Code and CCR.

The Agency should report members' compensation under the appropriate membership classification.

The Agency should work with the EAMD to ensure the payrate and earnings comply with the Government Code, and to make any necessary adjustments to the employee's account.

Criteria:

Government Codes: § 20160, § 20371, § 20433, § 20630, § 20635, § 20636

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4: The Agency incorrectly reported amounts to CalPERS that did not qualify as compensation earnable.

Condition:

- A. The Agency incorrectly reported workers' compensation as earnings for a Maintenance Worker II. Specifically, the Agency reported total earnings of \$1,773.48 for the pay period ended December 26, 2014 when payroll records indicated the employee received 64 hours of workers' compensation. Because the employee was on leave receiving workers' compensation, the compensation is not reportable. Government Code Section 20636 states that disability or workers' compensation payments for safety members are reportable pursuant to Labor Code Section 4800 and 4850. However, workers' compensation for miscellaneous members does not meet the definition of compensation and should not be reported to CalPERS.
- B. The Agency incorrectly reported eight hours of overtime in regular earnings in the pay period ended December 26, 2014. Specifically, the Agency compensated and reported \$120.69 as overtime for a facilities maintenance employee. However, compensation for overtime is not reportable pursuant to Government Code Section 20635.

Recommendation:

The Agency should immediately discontinue reporting non-reportable items of compensation and ensure earnings are reported accurately.

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 Code: § 20160, § 20630, § 20635, § 20636

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5: The Agency incorrectly reported payroll information.

Condition:

- A. The Agency did not report compensation in the correct period for a Vacation/Relief Fire Chief. Specifically, the Agency reported earnings for work performed on November 1, 29, and 30, 2014 in the bi-weekly pay period ended November 28, 2014. Government Code Section 20630(b) stipulates that when compensation is reported to CalPERS, the Agency should identify the pay period in which the compensation was earned, regardless of when reported or paid.
- B. The Agency incorrectly reported the scheduled hours per week for a Maintenance Worker I. Specifically, the Maintenance Worker I is regularly scheduled to work a 40 hours per week. However, the Agency incorrectly reported work week hours of 36.25 instead of 40 hours per week. Reporting an incorrect number of scheduled full-time work hours may cause the following:
- Delays in member retirement processing
 - Inaccurate retirement estimates
 - Impact accuracy of employer's contribution
 - Incorrect payments of benefits
 - Hardship to retired members from a reduction in benefits

Misreporting the number of scheduled full-time work hours for an employee who is reported on an hourly basis can affect the employee's monthly allowance calculation at retirement.

If the Maintenance Worker were to retire at the end of June 2015, the monthly retirement could be understated by as much as 10 percent. The classic miscellaneous employee worked as a Maintenance Worker I with an hourly payrate of \$19.16. The normal full-time work schedule for the position is 40 hours per week. To determine the Maintenance Worker's estimated one year final compensation, the hourly payrate would be multiplied by 36.25 hours to reach an estimated one year final compensation amount of \$36,116.60. The annual amount would convert to an estimated average of \$3,009.72 per month. However, the Maintenance Worker worked 40 hours per week not 36.25. Using the correct full-time work schedule of 40 hours, the Maintenance Worker's estimated one year final compensation amount would have been \$39,852.80 or \$3,321.07 per month. The final

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compensation amount would then be used in determining the Maintenance Worker's monthly retirement allowance. In the event the Maintenance Worker retired after June 2015, and had reached 30 years of service, the monthly retirement allowance would have been understated by \$311.35. Therefore, reporting accurate payroll information is essential in calculating correct member benefits at retirement.

- C. The Agency reported an incorrect payrate for a Vacation/Relief Fire Chief. Specifically, the Agency reported the employee's payrate as \$400.00 per hour. However, the employee was paid at a rate of \$400.00 per 24-hour shift. 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.

The Agency did not report payrate and earnings for a Planning and Development Director in the pay period ended December 26, 2014. The Agency paid the employee earnings of \$4,511.54 with a payrate of \$56.39 per hour, but did not report the compensation to CalPERS. Subsequently, OAS found the employee's payrate and earnings had not been reported since June 29, 2012. In accordance with Government Code Section 20630, the Agency should identify the pay period in which compensation was earned, regardless of when paid.

Payrate and earnings are important factors when computing a member's retirement allowance because service credit and final compensation are directly related to these components.

Recommendation:

The Agency should ensure that the member's compensation is reported for the service period in which it was earned.

The Agency should ensure the normally scheduled hours per week are correctly reported to CalPERS.

The Agency should ensure the payrate types are correctly reported to CalPERS

The Agency should ensure payrate and earnings are reported to CalPERS.

The Agency should ensure it reports compensation earnable pursuant to Government Code and CCR.

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The Agency should work with EAMD to identify and make adjustments, if necessary, to any active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

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

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6: The Agency incorrectly paid and reported member contributions.

Condition:

The Agency overpaid the normal member contributions for a maintenance worker. Specifically, the normal member contribution was \$74.97 for the pay period ended December 26, 2014. However, the Agency reported contributions of \$80.22. As a result, contributions were over paid and reported.

Recommendation:

The Agency should correctly report contributions to CalPERS.

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, § 20691

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7: Retired annuitants' employment did not comply with all Government Code requirements.

Condition:

- A. The Agency compensated a retired annuitant at a payrate which exceeded the maximum amount listed on a salary schedule. Specifically, the retired annuitant was hired on July 5, 2012 to perform duties of a Senior Planner at an hourly payrate of \$45.73. However, the Agency's salary schedule listed the maximum payrate for the position of Senior Planner at \$5,273.72 per month or \$30.43 per hour. Government Code Section 21224 limits the appointment of the retired annuitant and the rate of pay to not exceed that paid to other employees performing comparable duties.
- B. The Agency did not report the hours worked and earnings paid to retired annuitants in my|CalPERS to allow for monitoring of the 960-hour limit. Although the retired annuitants did not exceed 960 hours in a fiscal year, the Agency did not report the hours and compensation of the retired annuitants in my|CalPERS.

Government Code Section 21220 addresses the conditions and consequences of unlawful employment of a person who has been retired under this system. The Government Code states that any retired member employed in violation of this article shall reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law, pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment plus interest thereon and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

The Government Code also states that any public employer that employs a retired member in violation of this article shall pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period or periods of time that the member is employed in violation of this article, plus interest thereon and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

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Recommendation:

The Agency should ensure that compensation paid to retired annuitants does not exceed the compensation limits listed in Government Code Section 21224.

The Agency should ensure that retired annuitants who work under its direction and control are correctly classified and comply with the applicable Government Code sections and CCR when employing retired annuitants.

The Agency should work with EAMD to determine the appropriate course of action and make any necessary adjustments to member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 21202, § 21220, § 21224

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8: The Agency did not enroll an employee upon meeting CalPERS membership eligibility.

Condition:

The Agency did not enroll and submit payroll information for a part-time employee who was an active CalPERS member. The employee worked full-time for another CalPERS contracting agency and received full service credit during Fiscal Year 2013-14. Agencies are required to enroll and report payroll for all CalPERS covered employment. CalPERS will determine what, if any, employment is considered overtime and whether employer and member contributions should be paid and reported.

Recommendation:

The Agency should ensure employees with active CalPERS membership are immediately enrolled into membership.

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, § 20305

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9: The Agency did not maintain the required member reciprocal self-certification.

Condition:

The Agency did not maintain the required member reciprocal self-certification for employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individuals.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains the information provided.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Code: § 20160, § 7522.02, § 7522.04

CCR: § 579.3

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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 these transactions 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, CIDA, Senior Manager
Chris Wall, Senior Manager
Dennis Szeto, Lead Auditor
Edward Fama, Auditor
Christopher Lee, Auditor

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APPENDIX A

OBJECTIVES

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OBJECTIVES

The objectives of this review were 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.

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.
- ✓ 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.

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- ✓ 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 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

The names of individuals mentioned in the City's response were intentionally omitted from this appendix.



CITY OF FILLMORE

CENTRAL PARK PLAZA

250 Central Avenue

Fillmore, California 93015-1907

(805) 524-3701 • FAX (805) 524-5707

June 22, 2016

Beliz Chappuie, Chief
California Public Employees' Retirement System
Office of Audit Services
P.O. Box 42701
Sacramento, CA 94229-2701

RE: Written Response to Draft Audit Report

The City of Fillmore Human Resources Director/Deputy City Clerk has reviewed the Draft Audit Report dated April 26, 2016. In response, each item will be addressed individually as follows:

1. *The Agency did not have a pay schedule that met all the Government Code and CCR requirements.*

Staff will be presenting a pay schedule for adoption by City Council on July 12, 2016.

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

- a. *The Agency did not report Uniform Allowance for fire employees...*

The Agency has researched the history of the Uniform Allowance for Fire employees and has discovered that it is not a Uniform Allowance; it's a bonus for being an in town volunteer with the exception of one of the volunteers that assist with the academy. Since this has never been reported there should be no issue with CalPERS and it will now be classified as a bonus. Since a bonus is not counted as PERSable compensation this does not need to be corrected.

- b. *The Agency's written labor policies for the fire employees and miscellaneous employees contain the provision for uniforms did not meet all the requirement of CCR 571(b)(1)9B). Specifically, the policies did not indicate the conditions for payment of the uniforms...agreement contain the conditions for payment, including, but not limited to eligibility for, and amount of, the special compensation.*

The Agency will need to work with the Operating Engineers Local 501 for any changes of language concerning uniform in the Memorandum of Understanding. This should be completed by July or August; it depends on the Union Representative's schedule.

- c. *The Agency did not report the value of EPMC for the Assistant Finance Director and Vacation/Relief Fire Chief in pay period ended December 26, 2014.*

The Agency disagrees with reporting EPMC for the Vacation/Relief Fire Chief because he is considered a part-time employee and not a Management employee. The lack of paying EPMC for the Assistant Finance Director was in error.

- d. *The Agency incorrectly reported the value of safety boots as special compensation for a Maintenance Worker I...*

The Agency was not aware safety boots were no longer reportable compensation and will stop reporting this benefit effective the 06/11 - 06/24/16 pay period.

3. *The Agency incorrectly reported payrate and earnings.*

The Agency strongly disagrees with this item being included in the audit report because it was not part of the audit findings. This was an after the fact finding based on a conversation with Retirement Program Specialist II, [REDACTED] [REDACTED], when staff pointed out this was not mentioned during the audit. This item should be removed from the report.

4. *The Agency incorrectly reported amounts to CalPERS that did not qualify as compensation earnable.*

- a. *The Agency incorrectly reported workers' compensation as earnings for a Maintenance Worker II...*

The Agency was unaware that while a worker is on workers' compensation they do not receive service credit. The agency also disagrees with this as rule because injured workers are not supposed to be punished in any way for having a work injury. If a worker is not receiving service credit due to a work injury they are being punished.

- b. *The Agency incorrectly reported eight hours of overtime in regular earnings in the pay period ended December 26, 2014...*

The Agency agrees this was an error.

5. *The Agency incorrectly reported payroll information.*

- a. *The Agency did not report compensation in the correct period for a Vacation/Relief Fire Chief...*

The Agency's policy was to pay all Firefighter paid volunteers, including the vacation/relief Fire Chief on a monthly basis. The agency has already corrected and now includes him in the bi-weekly payroll.

- b. *The Agency incorrectly reported the scheduled hours per week for a Maintenance Worker I. Specifically, the Maintenance Worker I is regularly scheduled to work 40 hours per week. However, the Agency incorrectly reported work week hours of 36.25 instead of 40 hours per week...*

The Agency agrees that 36.25 hours per week was entered in CalPERS payroll system in error but the actual hours worked were always reported and this should not affect his retirement. The Agency does not believe this should be worth noting in an audit report because there is no impact.

- c. *The Agency reported an incorrect payrate for a Vacation/Relief Fire chief. Specifically, the Agency reported the employee's payrate as \$400.00 per hour. However, the employee was paid at a rate of \$400.00 per 24-hour shift...*

The Agency disagrees with this finding because he cannot be reported hourly or monthly. His work schedule is inconsistent and he receives a stipend for each 24 hour shift worked. The Human Resources Director/Deputy City Clerk attended the CalPERS Education Form in 2015 and spoke with all areas of responsibility; had a one on one appointment with CalPERS staff and nobody was able to answer how to correctly report the fire stipend.

- d. *The Agency did not report payrate and earnings for a Planning and Development Director in the pay period ended December 26, 2014. The Agency paid the employee earnings of \$4,511.54 with a payrate of \$56.39 per hour, but did not report the compensation to CalPERS. Subsequently, OAS found the employee's payrate and earnings had not been reported since June 29, 2012...*

The Agency agrees that this was in error and has tried to do special reports and will require assistance from CalPERS. The employee was laid off June 29, 2012 and was rehired November 2, 2013. PERS was deducted from his paychecks.

6. *The Agency incorrectly paid and reported member contributions.*

The Agency agrees that this employee should have had PERS deduction changes made when he moved from provisional/temporary employee to fulltime permanent employee.

7. *Retired annuitants; employment did not comply with all Government Code requirements.*

- a. *The Agency compensated a retired annuitant at a payrate which exceeded the maximum amount listed on a salary schedule. Specifically, the retired annuitant was hired on July 5, 2012 to perform duties of a Senior Planner at an hourly payrate of \$45.73. However, the Agency's salary schedule listed the maximum payrate for the position of Senior Planner at \$5,273.72 per month or \$30.43 per hour.*

The Agency agrees and was unaware the employee was a retired annuitant. A consultant hired the employee and did not consult Human Resources or Payroll. The employee no longer is employed here.

- b. *The Agency did not report the hours worked and earnings paid to retired annuitants in my/CalPERS to allow for monitoring of the 960-hour limit. Although the retired annuitants did not exceed 960 hours in a fiscal year, the Agency did not report the hours and compensation of the retired annuitants in my/CalPERS.*

The Agency agrees with the finding and was not aware the hours and compensation had to be reported in order for CalPERS to track.

8. *The Agency did not enroll an employee upon meeting CalPERS membership eligibility.*

Condition: The Agency did not enroll a part-time employee that was identified as an active member. Specifically, the Agency did not enroll a part-time employee that had separated but still had contributions on deposit with CalPERS...

The Agency did not enroll the part-time employee in CalPERS because he was working a full-time job for a CalPERS entity and the Agency considered his part-time work for us as overtime and not reportable compensation.

9. *The Agency did not maintain the required member reciprocal self-certification.*

The Agency agrees and was unaware they had to have new hires complete the self-certification. The Agency has already corrected.

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In closing, the City of Fillmore desires to work with CalPERS and ensure compensation is reported correctly.

Please feel free to contact me if you have any questions. You can call me at (805) 524-3701 ext. 211 or email dianai@ci.fillmore.ca.us.

Sincerely,

A solid black rectangular box redacting the signature of Diana Impeartrice.

Original signed by Diana Impeartrice

Diana Impeartrice
Human Resources Director/Deputy City Clerk