Office of Audit Services

Public Agency Review

City of Grass Valley

CalPERS ID: 4047740021
Job Number: P13-041

October 2015

California Public Employees' Retirement System
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October 30, 2015

CalPERS ID: 4047740021
Job Number: P13-041

Mette Richardson, Finance Director
City of Grass Valley
125 East Main Street
Grass Valley, CA 95945

Dear Ms. Richardson:

Enclosed is our final report on the results of the public agency review completed for the City of Grass Valley (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 1 and part of Finding 2. We appreciate the additional information you provided on these findings. After consideration of the additional information, we have added clarifying language to Finding 1. Our recommendations remain as stated in the report for Finding 2.

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: Council Members, City of Grass Valley
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 GRASS VALLEY

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RESULTS IN BRIEF

The objective of our review was to determine whether the City of Grass Valley (Agency) complied with applicable sections of the 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.

- Payrate and pay schedule did not meet all of the Government Code and CCR requirements.
- Payrate and earnings were incorrectly reported.
- Compensation and unused sick leave were erroneously reported.
- Special compensation was not reported as required.
- Unused sick leave was not reported as required.
- Optional members were not advised of optional membership rights.
- Observation: Irregularities related to transferring employee into retirement.

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, 1965 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 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 CalPERS Board of Administration (Board) approved 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, 2010 through June 30, 2013. The review objectives and methodology are listed in Appendix A.

CITY OF GRASS VALLEY

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

The Agency reported pay amounts that did not meet the definition of payrate under Government Code Section 20636 and CCR Section 570.5. Government Code Section 20636(a) defines compensation earnable as payrate and special compensation. Government Code Section 20636(b)(1) requires payrate to be for services rendered on a full-time basis during normal working hours pursuant to publicly available pay schedules. One sampled employee's reported payrate exceeded the maximum salary listed for the employee's position on the publicly available pay schedule. The Agency explained this was due to a reclassification of the employee's position from Administrative Clerk III/Housing Technician to Administrative Clerk II. In addition, the monthly payrates on the pay schedule were not correct for fire safety employees who worked an average of 56 hours per week. Fire safety employees work an average of 56 hours per week; however, the monthly payrates listed in the pay schedule were based on a 53-hour work week.

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.

Recommendation:

The Agency should report pay that meets the definition of payrate and 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 correctly report base payrate and regular earnings.

Condition:

A. The Agency under reported payrates and regular earnings for fire shift employees. The monthly payrates reported to CalPERS were under reported due to an incorrect conversion. Specifically, the Agency converted the employees' hourly rate of pay to a monthly rate of pay based on a normal scheduled work week of 53 hours. However, the normal scheduled work week for fire shift employees per their Memorandum of Understanding (MOU) was 56 hours. The hourly rate of pay should have been converted to a monthly rate of pay using a factor of 56 hours. In addition, the fire shift employees' regular earnings were also understated. The Agency reported the earnings based on an average of 106 hours during a bi-weekly pay period. However, pursuant to the MOU, the employees' earnings should be reported for an average of 112 hours worked.

B. The Agency also incorrectly reported scheduled hours per week for the same fire shift employees discussed above in Finding 2A. Specifically, the Agency reported 40 hours for the fire shift employees. However, the normal work week for these employees was 56 hours. Agencies are required to report accurate payroll information which includes payrates and scheduled hours for each member in order for CalPERS to correctly calculate the member's service credit and final compensation for retirement benefits. Scheduled hours per week is one data element used to determine service credit. In this case, the Agency under reported both monthly payrates (as detailed above in Finding 2A) and scheduled work hours.

C. The Agency incorrectly reported the payrate and earnings for another fire shift employee. Specifically, the Agency reported earnings of $2,064.00 and a payrate of $4,472.00 in the pay period ended December 22, 2012. During this pay period the employee's actual earnings were $3,403.00 and payrate was $7,373.20. The Agency stated that this error was due to a reporting malfunction in the Agency's payroll system.

Under Government Code Section 20636(b)(1), payrate is defined 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 publicly available pay schedules. Payrate and earnings are important factors in computing a member's retirement allowance because service credit and final compensation are directly related to these factors. Failure to correctly report payrate can impact the retirement benefits that will be received upon retirement.

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Recommendation:

The Agency should ensure the correct payrates and earnings are reported.

The Agency should ensure that the correct work week schedule is reported for members when reporting payroll information 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, § 20630, § 20636
CCR: § 570.5

3: The Agency incorrectly reported compensation earnable and unused sick leave which improperly increased service credit for a retiring member.

Condition:

A. The Agency reported pay that did not meet the definition of payrate under Government Code Section 20636(b)(1) and special compensation under Section 20636(c). In addition, the reported amounts constitute final settlement pay as discussed in Government Code Sections 20636(c)(7) and 20636(f), and CCR Section 570. Specifically, the Agency reported compensation for an individual during the April 6, 2012 through September 15, 2012 pay periods despite the fact that individual did not perform services during that timeframe. The individual transitioned out of full-time employment effective January 23, 2012. A memorandum title "Transition of Employment with City of Grass Valley" signed on January 11, 2012 provided the retiring individual with 959.14 vacation hours. Records provided confirm that the individual was credited with 959.14 vacation hours during the April 6, 2012 pay period. However, the individual did not perform full-time service since January 23, 2012. The pay received by the individual during this period did not meet the definition of payrate under the Government Code. Specifically, Government Code Section 20636(b)(1) 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. Furthermore, the pay received by the individual was not payrate. In this instance, the individual used the credited vacation hours (that were not earned over time) to accrue service credit in CalPERS during the pay periods ended April 6, 2012 through September 15, 2012. However, the Agency was unable to demonstrate that this vacation time (959.14 hours) was earned during normal working hours. Government Code Section 20962(a) provides in pertinent part that one year of service credit shall be granted for service rendered and compensated in a fiscal year in full-time employment for ten months of service for persons employed on a monthly basis. In this case, the individual provided no service between the dates in question and was given the vacation credit to use under the terms of a settlement agreement predicated on leaving employment with the Agency. As a result, all periods after the pay date of April 6, 2012 are not eligible for CalPERS service credit and should not have been reported.

The payment received was also not for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions. Therefore, the payment does not qualify as special compensation. Instead it was payment for vacation hours given (rather than earned and accrued in

accordance with the terms of the Agency's leave policy) under the terms of a settlement agreement. As such, the pay was final settlement pay and should not have been reported since final settlement pay is excluded from special compensation. Final settlement pay is pay or cash conversions of employee benefits that are used in excess of compensation earnable, that are granted or awarded to a member in connection with, or in anticipation of, a separation from employment as defined in Government Code Section 20636(f). Final settlement pay is further defined in CCR Section 570 in pertinent part states that final settlement pay is excluded from payroll reporting to CalPERS, in either payrate or special compensation. For example, final settlement pay may consist of severance pay or so-called "golden parachutes." It may be based on accruals over a period of prior service. It is generally, but not always, paid during the period of final compensation. It may be paid in either lump-sum, or periodic payments.

B. The Agency over reported the number of unused sick leave hours for the same individual upon retirement. Specifically, on June 27, 2012, the Agency certified 934.56 hours of unused sick leave to CalPERS. These hours were determined to have been earned during the normal course of employment. However on August 9, 2012, the Agency amended its certification and reported an additional 835 hours of unused sick leave to CalPERS. This second crediting appears to have been made pursuant to the same agreement discussed above and OAS found these hours were not earned during the normal course of employment. As a result, the individual was erroneously credited with 0.4175 years of service credit (835 hours) upon retirement. The individual retired the following month on September 16, 2012.

   Government Code Section 20965 authorizes a local safety member whose effective date of retirement is within four months of separation from employment to be credited at retirement with 0.004 year of service credit for each unused day of sick leave certified to the Board by the employer. Section 20965 further provides that the certification shall report only those days of unused sick leave that were accrued by the member during the normal course of his or her employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit. Reports of unused sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found. In this instance and as provided by the agreement described above, the Agency provided the individual additional sick leave on August 9, 2012; almost eight months after the individual last provided full-time services to the Agency. As such the additional sick hours did not comply with the Government Code and appears to be intended to increase the individual's retirement benefit. For these

reasons, the service credit reported to CalPERS must be adjusted downward.

Recommendation:

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

The Agency should recertify only the number of unused sick leave hours earned during the normal course of employment.

The Agency should work with EAMD to make any necessary adjustments to the retired member's account pursuant to Government Code Sections 20160.

Criteria:

Government Codes: § 20160, § 20630, § 20636, § 20962, § 20965
CCR: § 570

4: The Agency did not report special compensation as required by Government Code Section and CCR.

Condition:

A. The Agency did not report Fair Labor Standards Act (FLSA) premium pay. During the review, the Agency stated FLSA premium pay was not reported as special compensation. OAS expanded the review scope and selected a firefighter to confirm the FLSA premium pay was not reported. OAS found the firefighter was paid FLSA premium pay of $89.04 during pay period ending August 3, 2013. However, the FLSA premium pay was not reported. FLSA premium pay is a statutory item reportable to CalPERS as special compensation pursuant to Government Code Section 20636(c)(6). FLSA is defined under CCR 571(a)(5) as compensation paid for normal full-time work schedule including premium pay required by FLSA. The Agency paid the FLSA premium pay, but did not report it as special compensation. As a result, special compensation was under reported.

B. The Agency did not report the monetary value for the purchase and maintenance of uniforms during the review period as required by the Government Code Section 20636 and CCR Section 571. The Agency provides shirts and pants, and launders the clothing for classic employees required to wear uniforms as specified in General Employees Unit 2 MOU. CCR Section 571 requires the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, are to be reported as special compensation. However, the Agency did not report the monetary value for the purchase and maintenance of the uniforms.

C. The MOU did not include the amount and conditions for payment for the purchase and maintenance of uniforms. Government Code Section 20636(c)(6) requires the monetary value of the maintenance of uniforms be reported. Furthermore, CCR Section 571 requires special compensation items be contained in a written labor policy or agreement and indicate conditions for payment, including but not limited to eligibility for and amount of the allowance.

D. The Agency incorrectly reported regular earnings. The Agency paid an employee regular earnings of $3,403.20 in the pay period ended December 22, 2012. However, the Agency reported part of the earnings, $1,339.20, as special compensation. The Agency explained this was a malfunction of the Agency's payroll system. As a result of the incorrect reporting, regular earnings were understated and special compensation was overstated.

E. The Agency incorrectly reported City Paid Deferred Compensation as special compensation for one employee in the amount of $200.00 during the pay period ended June 22, 2013. Government Code Section 20636(c)(7)(C) provides that special compensation does not include other payments the Board has not affirmatively determined to be special compensation. CCR Section 571 provides a list exclusively defining special compensation items. City Paid Deferred Compensation is not included in that list of pay types and does not meet the definition of special compensation under Section 20636 or CCR Section 571. Therefore, it should not have been reported to CalPERS and has resulted in an over reporting of special compensation.

F. The Agency incorrectly reported Uniform Allowance for one employee as a lump sum instead of when the special compensation was earned. Specifically, the Agency reported a semi-annual $500.00 Uniform Allowance in the pay period ended January 19, 2013. Pursuant to Government Code Section 20636(c)(3), when reporting special compensation, the Agency should identify the pay period(s) in which compensation was earned.

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 special compensation.

The Agency should report the monetary value for the purchase and maintenance of uniforms as special compensation. Uniform Allowance should only be reported for classic members.

The Agency should ensure the conditions for payment of the monetary value of the maintenance of uniforms are contained in a written labor policy.

The Agency should ensure regular earnings are reported correctly and separate from special compensation.

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The Agency should stop reporting City Paid Deferred Compensation as special compensation.

The Agency should report special compensation for the period it was 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.

Criteria:

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

5: The Agency did not report unused sick leave.

Condition:

In addition to the erroneous reporting of unused sick leave for the individual mentioned in Finding 3, the Agency did not correctly report unused sick leave for another retiring member. Specifically, the retiring member had 172.84 hours of unused sick leave upon retirement. However, the Agency did not certify the balance for additional service credit. Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. The Agency should have reported the unused sick leave to CalPERS.

Recommendation:

The Agency should ensure that retiring members' leave balances are correctly reported to CalPERS.

The Agency should work with EAMD to make any necessary adjustments to the retired member’s account pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

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6: The Agency did not offer optional membership to City Council Members.

Condition:

The Agency did not advise City Council Members of their optional CalPERS membership rights. OAS reviewed one Council Member's records and noted that the Agency informed the Council Member that he or she was excluded from CalPERS membership. Also, during the on-site fieldwork the Agency staff stated it does not advise Council Members of the right to elect membership. Government Code Section 20322 states that an elective officer is excluded from membership in the CalPERS retirement system unless the officer files an election in writing with CalPERS to become a member. Government Code Section 20283 states, in part, that an employer must enroll an employee into membership when he or she becomes eligible. An elective officer includes persons elected to a City Council.

Recommendation:

The Agency should work with EAMD to ensure elective officers are advised of their CalPERS optional membership rights when first elected and file the appropriate election in writing with CalPERS for those who elect to be members.

The Agency should work with EAMD to determine the impact of the membership requirement issue and determine what adjustments, if any, are needed, pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20283, § 20322

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Observation: Irregularities noted in regard to an agreement to transfer employee into retirement.

In the course of this review, OAS noted that the Agency provided an individual with benefits and compensation that exceeded amounts approved by the Agency's City Council. Although requested, the Agency was unable to provide records to show that the additional benefits and compensation provided to the employee were approved by the City Council.

As discussed in Finding 3, the Agency entered into an agreement with an individual on January 10, 2012, with City Council approval, to transition the individual from full-time employment into retirement. As part of the agreement, the Agency agreed to purchase at no cost to the individual up to 20 months of additional service time at an estimated cost of $60,000. OAS found that CalPERS staff informed the Agency on July 24, 2012, that the Agency could not purchase the service credit for the individual. At the time, Government Code Section 20909 authorized a member to purchase additional service credit where the statutory requirements were met. Subsequently, on August 10, 2012, the Agency paid the individual $79,260.05, which included applicable taxes, as a payment to compensate the individual for the cost of the service credit. Based on the documentation and information provided, OAS noted the total paid by the Agency appears to have exceeded the estimated amount approved by the City Council. Subsequently, on April 24, 2013, the individual purchased 12 months of service credit for $39,864.05.

In addition, OAS noted the agreement stated that unless the individual accrued additional leave time for call-back assignments, no additional leave accruals would be credited. OAS found the individual accrued no further leave time. However, the Agency credited the individual with additional unearned leave balances. The individual was credited with 959.14 additional vacation hours on April 6, 2012, as mentioned in Finding 3. Although the individual did not work during April 6, 2012 to September 15, 2012 pay periods, compensation for the 959.14 vacation hours, approximately $44,120, was reported to CalPERS during that time. Also, the individual was credited with 835 additional hours of unused sick leave on August 10, 2012, that was certified by the Agency for additional service credit for the purposes of determining retirement benefits. As a result, the individual received additional service credit from unearned leave balances and the Agency paid an additional amount of compensation over and above that approved by the City Council as part of the agreement.

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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
Alan Feblowitz, CFE, Senior Manager
Chris Wall, Senior Manager
Emma Shaw, Auditor
Antonio Madrigal Jr., Auditor
Vincent Antolini, Auditor

APPENDIX A

OBJECTIVES

CITY OF GRASS VALLEY

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:
- 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.

✓ 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 GRASS VALLEY

- ✓ 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 additional service credits for unused sick leave.

APPENDIX B

AGENCY'S RESPONSE

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

City of Grass Valley

ADMINISTRATIVE
SERVICES DEPARTMENT

October 2, 2015

Mrs. Beliz Chappuie, Chief
Office of Audit Services
P. O. Box 942701
Sacramento, CA 94229-2701

Dear Mrs. Chappuie,

Please find below our Agency's response to the draft report on your compliance review regarding the City of Grass Valley's contract with the California Public Employees' Retirement System.

Finding 1: *The Agency improperly reported pay that did not meet the definition of compensation earnable, and the Agency's pay schedule did not meet all the requirements of CCR Section 570.5.*

[redacted] position was Administrative Clerk II (reclassed from Administrative Clerk III/Housing Technician) and was listed on the salary schedule. The "Housing Technician" description was intended to be an additional description of her job responsibilities but not part of the job title, which was intended to be a job title applicable to all City departments, not just the Housing department. [redacted] salary was outside of the salary range of the Administrative Clerk II position due to having been "Y rated" as a result of a reclassification of her previous job description/salary range to the Administrative Clerk II position. Information on the "Y rating" was retained in her employee file and the excess of her pay over the Administrative Clerk II salary range (i.e., the "Y rating") was intended to be eliminated in time as the salary range for the Administrative Clerk II position was increased through bargaining unit negotiated increases.

Regarding the monthly pay rates for fire safety employees being understated, the monthly pay rates shown on the salary schedule were for a 53-hour work week or a 2,756-hour work year, as was stated at the bottom of the pay schedules. Although the average weekly duty hours is 56, actual hours may fall above or below that amount in any given year but will not fall below 2,756-hours per year or 53-hours per week and thus this "base" amount was what was indicated and notated in the salary schedule.

Finding 2: *The Agency did not correctly report base pay rate and regular earnings.*

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E-Mail: finance@cityofgrassvalley.com

The Agency agrees in part with this Finding. The work week for firefighters generally varies between 54 hours and somewhere in excess of 56 hours, depending on overtime needs. For example, a common 28-day work shift encompasses 9 days at 24 hours per day (totaling 216 hours), which averages to a 54-hour work week. The MOU refers to an *average* work week of 56 hours but the true average varies. The Agency concurs with Finding 2.B. but 56 hours is an estimate of the average number of hours in a work week and any given work week may fall below that or above that, but not below 53 hours. Thus, 53 hours was considered the base for purposes of CalPERS reporting. If the Agency should have been reporting the average work week of 56 hours rather than what it considered the base number of weekly hours (53 hours), it was inadvertent.

Finding 3: *The Agency incorrectly reported compensation earnable and unused sick leave which improperly increased service credit for a retiring member.*

The Agency is in agreement with this Finding.

Finding 4: *The Agency did not report special compensation as required by Government Code Section and CCR.*

The Agency is in agreement with this Finding.

Finding 5: *The Agency did not report unused sick leave.*

The Agency is in agreement with this Finding.

Finding 6: *The Agency did not offer optional membership to City Council Members.*

The Agency is in agreement with this Finding.

Please let us know if you need any further information at this time.

Thank you,

[redacted]

Mette Richardson
Finance Director