Office of Audit Services

Public Agency Review

City of Winters

CalPERS ID: 2492448287
Job Number: P14-007

August 2015

California Public Employees' Retirement System
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August 31, 2015

CalPERS ID: 2492448287
Job Number: P14-007

Shelly Gunby, Finance Director
City of Winters
318 First Street
Winters, CA 95694

Dear Ms. Gunby:

Enclosed is our final report on the results of the public agency review completed for the City of Winters (Agency). CalPERS received your written response to the draft report, and a copy of the response is included as an appendix to the final report. We appreciate the additional information you provided in the response, and after consideration of this information, we clarified Finding 5B and Finding 10.

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 Winters
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 WINTERS

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CITY OF WINTERS

RESULTS IN BRIEF

The primary objective of our review was to determine whether the City of Winters (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 Government Code and CCR.
- Payrates were incorrectly reported.
- Uniforms were incorrectly reported.
- Holiday Pay was incorrectly reported.
- Special compensation was not reported as required by the CCR.
- Retroactive salary adjustments were incorrectly reported.
- Payroll information was incorrectly reported.
- Employer Paid Member Contributions (EPMC) were incorrectly reported.
- Retired annuitant's information was not reported to CalPERS.
- Unused sick leave was incorrectly reported.
- Elective officers were not offered optional membership.

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 September 1, 1967 to provide retirement benefits for local miscellaneous and safety 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 July 1, 2011 through June 30, 2014. Some of the employees selected were subject to the Public

Employees' Pension Reform Act of 2013. The review objectives and methodology are listed in Appendix A.

CITY OF WINTERS

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's pay schedule did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule in effect during the period under review did not include the positions of City Mayor, City Council Member, City Clerk, City Treasurer and did not list the positions of employees classified as Department Heads. In addition, the Agency's pay schedule did not indicate time-base. Further, the Agency did not maintain one pay schedule that identified the position title and payrate for every employee position as required by the CCR. Multiple pay schedules were needed to identify position titles for full-time and part-time 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

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 reported incorrect payrates.

Condition:

The Agency incorrectly reported a monthly payrate using an hourly payrate type for two employees. Specifically, the Agency reported an hourly payrate of $2,302.08 in pay period ended June 8, 2014 for one employee and reported an hourly payrate of $2,080.00 in pay period ended September 30, 2013 for another employee. The Agency should have reported the payrate type as monthly.

Payrate is an important factor in computing a member's retirement allowance because service credit and final compensation are directly related to the payrate and earnings reported for a member.

Recommendation:

The Agency should ensure that payrates are reported to CalPERS with the appropriate payrate type.

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, § 20636

3: The Agency incorrectly reported uniforms.

Condition:

A. The Agency incorrectly reported Uniform Allowance for one employee. The Miscellaneous Employees Association Memorandum of Understanding (written labor policy) states the Community Services Officer will receive a Uniform Allowance of $225.00 per quarter. However, the Agency paid and reported a quarterly Uniform Allowance of $250.00 on June 24, 2014. As a result, the Agency over reported special compensation by $25.00.

B. The Agency did not report the monetary value for the purchase, rental and/or maintenance of uniforms for classic employees required to wear uniforms. Specifically, the Agency requires Public Works and Fire employees to wear uniforms. The Agency provided and maintained uniforms for these employees in Fiscal Year 2013-14. However, the Agency did not report the monetary value of uniforms and the maintenance of uniforms, a statutory item of special compensation. Government Code Section 20636 and CCR Section 571 require compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing be reported as special compensation for classic employees.

C. The Agency's written labor policy containing the provision for uniforms did not meet all of the requirements of CCR 571(b)(1)(B). Specifically, it did not indicate the conditions for payment of the uniforms. CCR 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. In addition, the Fire employees' labor agreement was not duly approved and adopted by the Agency's governing body.

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.

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Recommendation:

The Agency should correctly report all items of statutory special compensation to CalPERS and include language in the written labor policies or agreements indicating the amount of the special compensation.

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

4: The Agency incorrectly reported Holiday Pay.

Condition:

A. The Agency incorrectly reported Holiday Pay with payrate and earnings for Fire employees who worked in positions that require scheduled staffing without regard to holidays. Effective October 8, 2011, the Agency increased the Fire employees' payrate by six percent in recognition of working holidays and reported the Holiday Pay as part of base payrate and regular earnings. The Agency should have reported the Holiday Pay, separate from base payrate and regular earnings, as special compensation as required by CCR Section 571.

B. The Agency did not report Holiday Pay as special compensation for two Police employees. Police employees who work in positions that require scheduled staffing without regard to holidays are eligible for Holiday Pay at time and one half the rate of pay. The employees worked and received Holiday Pay for working on a holiday. However, the Agency did not report the Holiday Pay as special compensation. Holiday Pay is a statutory item that must be reported as special compensation as required by CCR Section 571.

C. The Agency's written labor policy containing the provision for Holiday Pay did not meet all of the requirements of CCR 571(b)(1)(B). Specifically, it did not indicate the conditions for payment of the Holiday Pay. CCR 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.

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 Holiday Pay is reported, separate from base payrate and regular earnings, as special compensation.

The Agency should report Holiday Pay for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays.

The Agency should ensure the conditions for the payment of special compensation items are contained in a written labor policy or agreement as required by the 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, § 20636
CCR: § 571

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

Condition:

A. The Agency incorrectly reported Bilingual Pay for an employee in pay period ended June 8, 2014. The employee received $100.00 in Bilingual Pay; however, the Agency incorrectly reported $50.00.

B. The Agency over reported Educational Incentive for one employee in pay period ended June 8, 2014. The Sergeants Association written labor policy allows for Educational Incentive at 10 percent above base salary. The Agency incorrectly reported Educational Incentive in the amount $302.52 and should have reported $291.52. As a result, Educational Incentive Pay was over reported by $11.00.

C. The Agency incorrectly reported Educational Incentive Pay of $110.49 in pay period ended June 8, 2014 for another employee. The Mid-Management written labor policy did not contain a provision for Educational Incentive Pay. There was a provision for Educational Incentive within the Agency's Employee Benefits Summary; however, the Agency’s governing body did not approve the document. In order for Educational Incentive to be reportable as special compensation, the provision must be contained in a written labor policy or agreement that has been duly approved and adopted by the Agency's governing body pursuant to CCR Section 571 (b).

D. The Agency incorrectly reported special compensation in lump sum amounts instead of when earned. Specifically Uniform Allowance, Longevity Pay, and Bilingual Pay were reported as a lump sum. Government Code Section 20636 requires the Agency to identify the pay period(s) in which special 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.

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Recommendation:

The Agency should ensure the correct amount of Bilingual Pay and Education Incentive Pay is reported.

The Agency should stop reporting special compensation unless it is contained in a written labor policy or agreement that has been duly approved and adopted by the Agency's governing body.

The Agency should ensure special compensation is reported in the pay period 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, § 20636
CCR: § 571

6: Retroactive salary adjustments were incorrectly reported.

Condition:

A. The Agency incorrectly reported retroactive salary adjustments as special compensation for two employees. Specifically, both employees received retroactive salary increases that covered July 8, 2013 through October 28, 2013 pay periods. However, the Agency incorrectly reported both retroactive salary adjustments as special compensation in the pay period ended November 10, 2013, rather than reporting them as retroactive salary adjustment in the pay periods earned. For retroactive pay increases, the Agency should provide the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

B. The Agency incorrectly reported compensated time off (CTO). Specifically, as noted above, the employee received a pay increase from $33.50 to $37.21 per hour effective November 7, 2013 that was retroactive to July 8, 2013. The employee cashed out CTO and the Agency incorrectly reported the CTO cash out of $371.00 as a retroactive special compensation adjustment in pay period ended November 10, 2013. CTO is not a reportable item of special compensation pursuant to CCR Section 571.

Recommendation:

The Agency should ensure that retroactive adjustments to payrate and earnings are not reported as special compensation and include the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

The Agency should immediately stop reporting compensation that does not meet the definition of compensation earnable pursuant to 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

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7: The Agency reported incorrect payroll information.

Condition:

The Agency reported an incorrect number of work week hours for two employees. Specifically, the Agency reported 39.92 hours for two Fire employees who worked an average of 56 hours per week in the pay period ended June 8, 2014. The Agency should have reported scheduled hours as 56 hours per week. Scheduled hours are an important factor in computing a member's retirement allowance and determining service credit.

Recommendation:

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

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

Criteria:

Government Codes: § 20120, § 20121, § 20160

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8: The Agency incorrectly reported Employer Paid Member Contributions (EPMC).

Condition:

A. The Agency incorrectly reported member contributions as EPMC for its classic Police employees in pay period ended June 8, 2014. The Police Officers' Association written labor policy, effective July 2013, stated that Police employees pay the entire nine percent of the employee contributions. However, the Agency incorrectly reported the contributions as EPMC.

B. The Agency incorrectly paid and reported the required member contribution for an employee subject to PEPRA. Government Code Section 7522.30(a) requires equal sharing of the normal cost between public employers and employees. However, the Agency incorrectly paid and reported 6.25 percent of the member contributions as EPMC. The standard shall be that employee pay at least 50 percent of normal costs and employers not pay any of the required employee contribution.

Recommendation:

The Agency should ensure it correctly pays and reports contributions.

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, § 7522.30
CCR: § 569

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9: The Agency did not report retired annuitant's information to CalPERS.

Condition:

The Agency did not report the payrate, hours worked, and earnings paid for a retired annuitant in my|CalPERS to allow monitoring of the 960-hour limit per fiscal year. Although the retired annuitant did not exceed 960 hours in a fiscal year, the Agency did not report the hours and compensation of the retired annuitant in my|CalPERS as required.

Recommendation:

The Agency should report the retired annuitant's payrate, hours worked, and earnings in my|CalPERS.

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

Criteria:

Government Codes: § 20121, § 20122, § 20160

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10: The Agency did not report unused sick leave.

Condition:

The Agency did not report the balance of unused sick leave for a retiree. Specifically, the retiree had an unused sick leave balance of 684.27 hours or 85.53 days at retirement. However, the Agency did not report the unused sick leave balance to CalPERS. Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. Miscellaneous members of the Agency are eligible for unused sick leave benefit by contract provision and safety members are eligible through risk pooling pursuant to Government Code Section 20840.

Recommendation:

The Agency should ensure unused sick leave balances are certified and reported for retiring members.

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

Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20840, § 20965

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

Condition:

The Agency did not advise its Council Members of their optional membership rights. Government Code Section 20322 states that an elective officer is excluded from membership in the CalPERS retirement system unless the officer files with the board an election in writing to become a member. An elective officer includes persons elected to a City Council. Government Code Section 20283 states, in part, that an employer must enroll an employee into membership when he or she becomes eligible.

Recommendation:

The Agency should work with EAMD to ensure elective officers are advised of CalPERS optional membership requirements.

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: § 20160, § 20283, § 20322

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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, Senior Manager
Chris Wall, Senior Manager
Emma Shaw, Auditor
Rebecca Honeywell, Auditor
Edward Fama, Auditor

APPENDIX A

OBJECTIVES

CITY OF WINTERS

OBJECTIVES

The objectives of this review were limited to the determination of:

- Applicable sections of the 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."

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 Other documents used to specify payrate, special compensation, and benefits for employees
- 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.

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- ✓ 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.

APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The name of an individual mentioned in the Agency's response was intentionally omitted from this appendix.

CITY OF
WINTERS
california
Est. 1875

California Public Employees' Retirement System
Office of Audit Services
Young Hamilton
PO Box 942701
Sacramento, CA 94229-2701

RE: CalPERS ID: 2492448287
Job Number: P14-007

Dear Young Hamilton:

In response to your draft report submitted on July 8, 2015 the City of Winters submits the following information:

1. The City of Winters has not been audited by the CalPERS system in over 30 years until just recently.
2. The City of Winters has asked on numerous occasions, as we have had staff turnover, to have on-site training for our staff where we would be able to discuss all the different types of compensation issues that are or might be unique to our particular agency. We were advised we were too small for such individualized attention.
3. The City of Winters has sent staff to trainings in Sacramento as offered, however, they were really not, "hands on" training, and individual situations were requested to be handled after class so as not to impede the progress of the class.
4. Whenever an issue has arisen that CalPERS has brought to our attention, we have immediately corrected the issue and gone forward in the appropriate manner.

Regarding the individual findings we submit the following:

1. The Agency's pay schedule did not meet all the Government Code and CCR Sections
   Response: The positions of Mayor, Council Member, City Clerk and City Treasurer are elected positions and adopted by ordinance and codified in to our Government Code, was unaware that they needed to be on the pay schedule. Will be corrected to comply in all areas listed.
2. The Agency Reported incorrect pay rates
   Response: This appears to be a data entry error and is corrected at this time.

318 First Street
Winters, CA 95694
Phone.530.795.4910
Fax. 530.795.4935

COUNCIL MEMBERS
Harold Anderson
Wade Cowan
Pierre Neu

MAYOR
Cecilia Aguiar-Curry

MAYOR PRO TEM
Woody Fridae

CITY CLERK
Nanci Mills

TREASURER
Michael Sebastian

CITY MANAGER
John W. Donlevy, Jr.

3. The Agency incorrectly reported uniforms

   Response: This is an error on staff part, the officers received an increase in uniform allowance, and payroll staff was mistakenly informed that the CSO [redacted] had received the same increase.

4. The agency incorrectly reported holiday pay

   Response: Overtime is exempt from PERS, so staff was unaware that overtime paid as a result of working a holiday was PERS compensation, once again, had we been able to receive on-site training that encompassed all the situations of our agency, this reporting error might have been avoided.

5. The agency did not report special compensation as required by the CCR

   Response A: This appears to be a data entry error, as this was the second payroll for this particular individual, and the first payroll was for only half the pay period.

   Response B: This was simply a data entry error; we do not include special compensation items when calculating the education incentive. The Education incentive is calculated based on the BASE pay of the individual, so I believe the assumption the auditor arrived at for the reason for the error is faulty. It appears to be a simple calculation error.

   Response C: This was an error on both the HR Department and the Finance Department, when the employee was reclassified; we failed to properly adjust the salary and continued to include the education incentive in error. The employee should have received a 5% step increase to clear the matter up. This has been corrected at this time.

   Response D: In all cases, the correct amount was reported, and due to lack of available training from CalPERS, we were unaware that the amounts were to be reported in a different manner. However, in the case of the Longevity pay, the pay is not earned until you have completed the entire year of service. It actually is not earned throughout the year, but is earned by completing that year of service. If you terminate your employment in the middle of the year of service, you do not get a pro-rata share of the longevity, you forfeit the entire amount, so I question that the longevity is incorrectly reported.

6. Retroactive salary adjustments were incorrectly reported

   Response A: In all cases, the correct amount was reported, and due to lack of available training from CalPERS, we were unaware that the amounts were to be reported over the term of the retroactive period.

   Response B: This was an error on payroll staff's part.

7. The Agency reported incorrect payroll information

   Response: This appear to be an error, I don't know why the wrong weekly hours were entered. This has been corrected at this time.

8. The agency incorrectly reported Employer paid member contributions
   Response: This was the first PEPRA employee and we failed to adjust for the changes in the law. This is being corrected.

9. The Agency did not report retire annuitant's information to CalPERS
   Response: Agency did not have access to the employee's records and was unable to report any earnings to CalPERS because we were unable to obtain training on the particular situations of employees at our agency.

10. The Agency did not report unused sick leave
    Response: The Agency was never given the option to report sick leave to CalPERS, all documentation for the employee's retirement was handled by the employee and PERS, at no time were we contacted about unused sick leave, however, this particular employee was a safety employee, and was not eligible for utilizing sick leave in his retirement calculation per the safety contract. We receive no information from CalPERS regarding a retiring employee, and have not received any training from CalPERS on how to actually report a retiring employee and any leave balances that might be applicable to their retirement.

11. The Agency did not offer optional membership to City Council Members
    Response: Unaware that Council Member who do not have officer hours and only hold two night meetings per month have the option to enroll. We basically treated them as part-time under the 1,000 hours. This will be corrected and will inform them of their optional membership rights.

Once again, I would like to point out, that we have cooperated with CalPERS and implemented changes whenever they have requested/required them. We have asked for on-site training multiple times, particularly when we have had change over in staff that is responsible for CalPERS reporting. Particularly frustrating has been the current program for reporting in which there seems to be issues that are difficult to resolve and contacting CalPERS for help is not something that gets a response it a timely manner.

We will implement the changes required as a result of this audit; however, I cannot stress enough the need for individualized on-site training for staff. Sitting in a room without the ability to have hands on with actual information that pertains to our agency is not as beneficial as the ability to have someone come to our site and provide one on one instruction with the actual data that our agency deals with on an ongoing basis.

Sincerely,

Original signed by Shelly A. Gunby

Shelly A. Gunby
Director of Financial Management
City of Winters