

Office of Audit Services



CalPERS

Public Agency Review

City of Oxnard

CalPERS ID: 6606606569
Job Number: SP15-023

May 2016



California Public Employees' Retirement System
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May 26, 2016

CalPERS ID: 6606606569
Job Number: SP15-023

Carol Venegas, Management Analyst
City of Oxnard
300 W 3rd Street
Oxnard, CA 93030-5738

Dear Ms. Venegas:

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

In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief
Office of Audit Services

Enclosure

cc: Council Members, City of Oxnard
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 Oxnard (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings and observations during the review. Details are noted in the Results section beginning on page three of this report.

- Pay schedules did not meet all of the requirements of the Government Code and CCR.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Payrate and earnings were incorrectly reported.
- Observation 1: Employer Paid Member Contributions (EPMC) were not reported in accordance with the Agency's resolution.
- Observation 2: Agency records did not agree with my|CalPERS information.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

SCOPE

The Agency contracted with CalPERS effective February 1, 1952 to provide retirement benefits for local miscellaneous and safety (fire and police) employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the CalPERS' Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with

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membership enrollment or employment after retirement. 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 of 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 public meeting laws. The Agency had multiple salary schedules that were updated in accordance with the written labor agreements to identify position titles and payrates. However, the Agency's salary schedules were not approved by its governing body. In addition, the salary schedule for police and maintenance employees did not indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually.

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 it has a pay schedule that 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 incorrectly reported special compensation as a lump sum amount instead of when earned. Specifically, the Agency reported an annual Uniform Allowance of \$400.00 for a Fire Engineer in the pay period ended September 27, 2013. Government Code Section 20636(c)(3) requires the Agency to identify the pay period(s) in which special compensation was earned.
- B. The Agency did not report the monetary value for the purchase of uniforms as special compensation for classic police and maintenance employees. Specifically, police and maintenance employees are provided with uniforms and are required to wear them. However, the monetary value of the uniforms purchased was not reported to CalPERS. Government Code Section 20636 and CCR Section 571 requires that 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 for police employees did not include the conditions for payment of uniforms. CCR Section 571(b) requires the Agency to indicate the conditions for payment of the uniform, including, but not limited to, eligibility for, and amount of, the special compensation.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification.

Recommendation:

The Agency should ensure that special compensation is correctly reported in the pay period earned.

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The Agency should ensure it reports the monetary value for the purchase of uniforms.

The Agency should ensure its written labor agreement includes the conditions for payment of the uniforms.

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:

- A. The Agency reported payrate and earnings of \$22,083.24 for the City Manager in the pay period ended June 20, 2014. Specifically, a monthly payrate of \$22,083.24 was approved in the City Manager's employment agreement effective April 14, 2014. However, the City Manager's payrate was not listed in a pay schedule that meet all of the Government Code and CCR requirements.
- B. The Agency incorrectly reported regular earnings for a Senior Groundswoker in the pay period ended August 16, 2013. The Agency reported a monthly payrate of \$3,862.13 and regular earnings of \$1,778.76. However, the Agency should have reported regular earnings of \$1,782.52.

Payrate and earnings are important factors in computing a member's retirement allowance.

Recommendation:

The Agency should ensure that payrates are reported correctly and in accordance with publicly approved pay schedules.

The Agency should ensure that regular earnings are correctly reported 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: § 20160, § 20636
CCR: § 570.5

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Observation 1: The Agency did not pay member contributions as Employer Paid Member Contributions (EPMC) and report the value of EPMC.

Condition:

The Agency's board approved Resolution No. 12,414 adopted on June 24, 2003 stated that the Agency will pay the full amount of member contributions as EPMC for all regular employees' and elected officials and report the value of EPMC as special compensation. However, the Agency did not pay and report the value of EPMC as special compensation for the City Manager. OAS noted that the City Manager's employment agreement effective April 15, 2014 specified that the employee will pay the full member contributions. OAS recommends that the Agency work with the appropriate CalPERS division to ensure that the resolutions on file are up to date.

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Observation 2: The Agency's records do not agree with my|CalPERS information.

Condition:

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans* requirements. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified three employees who had hire dates that were different from the hire dates in my|CalPERS. The hire dates in my|CalPERS were based on the contract effective date instead of the actual date of hire. OAS also identified 27 individuals with an employment status that was different from the employment status in my|CalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through my|CalPERS. In addition, OAS identified one employee with a separation date that did not agree with the separation date in my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract except as noted.

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code Section 20134 and Sections 555-555.4, Title 2, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, CPA, MBA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Senior Manager
Billy Vi, Auditor
Asraf Tootla, Auditor

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APPENDIX A

OBJECTIVES

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OBJECTIVES

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

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

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

METHODOLOGY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
 - Provisions of the contract and contract amendments between the Agency and CalPERS
 - Correspondence files maintained at CalPERS
 - Agency Board minutes and Agency Board resolutions
 - Agency written labor policies and agreements
 - Agency salary, wage, and benefit agreements including applicable resolutions
 - Agency personnel records and employee time records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Documents related to employee payrate, special compensation, and benefits
 - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the Agency's governing body in accordance with requirements of applicable public meetings laws.

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

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APPENDIX B

AGENCY'S WRITTEN RESPONSE

Maria Hurtado
Interim Chief Financial Officer



Finance Department

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April 20, 2016

Beliz Chappuie, Chief
California Public Employees' Retirement System
Office of Audit Services
P O Box 94270
Sacramento, CA 94229-2701

RE: CalPERS Id: 6606606569
Job Number: SP15-023

Dear Ms. Chappuie:

Thank you for the opportunity to comment on the draft report. Please find the City of Oxnard's response to the draft report on the CalPERS compliance review of our agency.

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

The City agrees with the finding in part. While the City did not have one single salary schedule that identifies the position title and pay rate for every employee position, the City did have available multiple salary schedules for each of the various employee groups. Further, all salary schedules were approved through either the budget process or when Council approved the various individual labor agreements. The City is currently developing a single salary schedule that conforms with CCR 570.5.

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

The City agrees with the finding that the City did not report the monetary value for the purchase of uniforms as special compensation for classic employees required to wear uniforms. The City will work with the bargaining units to include the conditions for appropriate reporting requirements in the MOUs. The City will work with CalPERS Employer Account Management Division (EAMD) to make necessary adjustments.

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Finding 3: Agency incorrectly reported payrate and earnings.

The City agrees that the Top Management salary schedule does not reflect the City Manager's salary as approved by City Council at their regular public meeting on April 15, 2014. The City will revise the Top Management salary schedule to reflect the City Council approved salary for the City Manager. The City makes every effort to ensure pay rates and earnings are reported accurately. The City will work with EAMD to make the appropriate corrections to the Sr. Groundswoker record.

In closing, it is important to the City to be compliant with the California Public Employees Retirement laws, statutes and regulations at all times. Therefore, the City is prepared to work with CalPERS staff to make the necessary corrections and bring this matter to a close.

Thank you,



Original signed by Carol Venegas

Carol Venegas
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