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June 20, 2012

Employer Code: 1401
CalPERS ID: 7725823987
Job Number: P11-014

El Dorado Hills Community Services District
Sandi Kukkola, Acting General Manager
1021 Harvard Way
El Dorado Hills, CA 95762

Dear Ms. Kukkola:

Enclosed is our final report on the results of the public agency review completed for the El Dorado Hills Community Services District. Your agency's written response, included as an appendix to the report, indicates agreement with the issues noted in the report, with the exception of Finding 4. 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, including resolution of Finding 4. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Honorable Board Members, El Dorado Hills Community Services District

Office of Audit Services

Public Agency Review

El Dorado Hills Community Service District

Employer Code: 1401
Job Number: P11-014

June 2012

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

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EL DORADO HILLS COMMUNITY SERVICES DISTRICT

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the El Dorado Hills Community Services District's (District) enrolled individuals, member compensation, required health, retirement, and California Employer's Retiree Benefit Trust (CERBT) documentation and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- The monetary value of uniforms was incorrectly reported for employees not required to wear uniforms. In addition, the District did not have a written labor policy or agreement outlining its uniform policy.
- The reported payrate for one employee was not in accordance with the publicly available pay schedule.
- Three eligible temporary/part-time employees were not enrolled into CalPERS membership and one temporary/part-time employee with prior membership was not reported by the District.
- Retired annuitant exceeded 960 hours worked in a fiscal year and was not reinstated from retirement.
- Payments for retiree insurance made outside of CalPERS CERBT were under-reported.

The pertinent sections, of the California Government Code and California Code of Regulations for each finding are listed in Appendix C.

DISTRICT BACKGROUND

The District is a California Special District which was created May 21, 1962, by Resolution #98-62 of the El Dorado County Board of Supervisors. The District is the primary provider of park, recreation and open space services to the El Dorado Hills area. The District owns and manages approximately 284 acres of land, including 138 acres of parks, 24 acres of landscape and lighting assessment districts, and 122 acres of open space. Additionally, the District provides garbage collection and cable television services through private franchises as well as enforcement of covenants, conditions and restrictions (CC&Rs) and management of 23 street lighting and landscaping assessment districts. The District is governed by a five-member elected Board of Directors. Memoranda of Understanding and Contracts of Employment outline all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS, effective June 1, 1986, to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as twelve months. The District contracted with CalPERS effective August 1, 1986, to provide health benefits to all eligible employees. The District contracted with CalPERS to participate in the CERBT effective April 20, 2009.

All contracting public agencies, including the District, are responsible for the following:

- Determining CalPERS membership eligibility for its employees.
- Enrolling employees into CalPERS upon meeting membership eligibility criteria.
- Enrolling employees in the appropriate membership category.
- Establishing the payrates for its employees.
- Approving and adopting all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publishing all employees' payrates in a publicly available pay schedule.
- Identifying and reporting compensation during the period it was earned.
- Ensuring special compensation is properly identified and reported.
- Reporting payroll accurately.
- Notifying CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensuring the employment of a retired annuitant is lawful and reinstating retired annuitants that work more than 960 hours in a fiscal year.
- Ensuring only eligible members and their dependents are enrolled for health coverage.
- Keeping accurate and up to date records of all health enrollment related information such as enrollment forms, parent-child relationship affidavits, divorce decrees, and other documents.

SCOPE

As part of the Board approved plan for fiscal year 2011/2012, the OAS reviewed the District's payroll reporting, member enrollment, payment records, and participant data processes, as these processes relate to the District's retirement, health and CERBT contracts with CalPERS.

The review period was limited to the examination of sampled records and processes from July 1, 2008, through June 30, 2011. The on-site fieldwork for

this review was conducted on October 11, 2011, through October 13, 2011, and November 8, 2011. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The District incorrectly reported the value of uniforms for employees not required to wear uniforms. In addition, the District did not have a written labor policy or agreement outlining the uniform policy.

Recommendation:

The District should only report the monetary value of uniforms for employees who are required to wear uniforms. In addition, the District should have a written labor policy or agreement defining the uniform provision.

OAS recommends CASD work with the District to assess the impact of the incorrect reporting and make the necessary adjustments to compensation earnable and other areas needing adjustment pursuant to Government Code Section 20160.

Condition:

The District provided uniforms, including t-shirts with the District logo, and reported the monetary value of the uniform items for all District employees. However, the Parks and Recreation, and Maintenance employees were the only employees required to wear uniforms. Therefore, the District should only report the value of uniforms for employees required to wear uniforms. In addition, uniform allowance, a statutory item of compensation, was not contained in a written labor policy or agreement.

Criteria:

Government Code § 20160, 20636(c)(6)
California Code of Regulations § 571(a)(5), 571(b)(1)

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Finding 2: The District incorrectly reported a monthly payrate that was not in accordance with the public pay schedule.

Recommendation:

The District should ensure that payrates are reported and paid pursuant to publicly available pay schedules.

OAS recommends CASD work with the District to assess the impact of this incorrect reporting and determine what adjustments are needed.

Condition:

OAS found that the monthly payrate reported for the General Manager during the service periods reviewed (1/11-5 and 6/11-4) was not in accordance with the payrate specified in the contract of employment. Initially, OAS reviewed the pay schedule in effect for fiscal year 2010/2011 and found the annual salary for the General Manager was $100,007.00, or $8,333.92 a month. However, because the General Manager was hired subsequent to the issuance of the 2010/2011 pay schedule, we reviewed the initial contract of employment to determine the authorized payrate. OAS found that the General Manager was hired effective January 31, 2011, and the contract of employment specified an annual salary of $126,500.00, which equated to $10,541.66 a month. OAS found that the contract of employment was a public document, duly approved and adopted by the District's governing body in accordance with requirements of applicable meeting law; however, the payrate exceeded what was listed in the District's publicly available pay schedule. In addition, the District reported a monthly payrate of $10,537.49 during both service periods reviewed (1/11-5 and 6/11-4), which exceeded the $10,541.66 monthly payrate that was specified in the General Manager's contract of employment.

Subsequently, although outside of our scope of review, OAS noted that the District's publicly available pay schedule for fiscal year 2011/2012 was correctly updated to reflect the General Manager's authorized contract payrate.

Criteria:

Government Code § 20636(b)(1)
California Code of Regulations § 570.5

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Finding 3: The District did not enroll temporary/part-time employees into CalPERS membership when eligibility requirements were met. In addition, the District did not report earnings for one temporary/part-time employee who had established prior membership through another CalPERS covered agency.

Recommendation:

The District should review and monitor all hours worked in a fiscal year by all temporary/part-time employees and enroll those that meet membership eligibility criteria. The District should ensure that employees with prior CalPERS membership are enrolled into membership and reportable earnings are reported.

OAS recommends CASD work with the District to enroll all eligible employees into CalPERS membership.

Condition:

Three sampled employees, including two hired through temporary employment agencies, met membership eligibility requirements when they completed 1,000 hours of work within the fiscal year; however, the District did not enroll the three temporary/ part-time employees into membership.

- One employee completed 1,000 hours of work as of pay period ending June 12, 2010. A total of 1,043.25 hours were worked in fiscal year 2009/2010.

- The second employee completed 1,000 hours of work as of May 3, 2009. A total of 1,061.75 hours were worked in fiscal year 2008/2009.

- The third employee completed 1,000 hours of work as of April 19, 2009. A total of 1,141.25 hours were worked in fiscal year 2008/2009.

In addition, another sampled temporary/part-time employee met eligibility requirements through prior membership established with another CalPERS covered agency. This employee was an active member, initially enrolled into membership effective June 18, 2008 with the other agency. The employee did not have any earnings reported from any employers during the two fiscal years reviewed (2009/2010 and 2010/2011). Therefore, the District should have reported all reportable earnings the member received from the District since member's initial membership date of June 18, 2008.

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Criteria:

Government Code § 20028(b), 20305(a)

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Finding 4: The District unlawfully employed a retired annuitant.

Recommendation:

The District should monitor the hours worked by retired annuitants in order to limit the hours worked to 960 hours in a fiscal year, or immediately reinstate a retired annuitant into CalPERS membership if the retired annuitant's employment continues beyond the 960-hour threshold.

OAS recommends BNSD have the District pay CalPERS the employer contributions, which should have been paid during the period the retired annuitant was unlawfully employed, plus interest and administrative expenses.

In addition, OAS recommends BNSD have the retired annuitant reimburse CalPERS for any retirement allowance received during the period of unlawful employment, pay CalPERS the employee contributions that should have been paid during the period of unlawful employment, and reimburse CalPERS for administrative expenses incurred in handling the situation.

Condition:

OAS found that one retired annuitant exceeded the 960-hour threshold for hours worked in a fiscal year. Specifically, the retired annuitant completed 963.24 hours of work during fiscal year 2008/2009 and was not reinstated from retirement. We reviewed the retired annuitant's hours worked for the two subsequent fiscal years (2009/2010 and 2010/2011) and found the retired annuitant did not exceed the 960-hour threshold in either fiscal year.

Government Code § 21220 provides that a retired member receiving a monthly allowance from CalPERS, shall not, except as otherwise provided, be employed in any capacity thereafter by a CalPERS employer unless the member has first been reinstated from retirement. Any person employed in violation of § 21220 shall be reinstated to CalPERS membership as of the date the unlawful employment began.

Criteria:

Government Code §20160, § 21220, § 21224(a)

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Finding 5: The District under-reported the total premium payments for retiree insurance made outside of CalPERS CERBT.

Recommendation:

The District should ensure that total premium payments for retiree insurance made directly to providers other than CalPERS are correctly reported on the "Employers Summary of OPEB Contributions and Other Data for GASB 45/43 Reporting."

OAS recommends that the District work with CalPERS CERBT program to assess this incorrect reporting issue and determine what adjustments, if any, are needed.

Condition:

The District inadvertently omitted reporting payments made to one retiree for the fiscal year. Therefore, the District under-reported the “total premium payments for retiree insurance made directly to providers other than CalPERS” on the "Employers Summary of OPEB Contributions and Other Data for GASB 45/43 Reporting." OAS reviewed documentation from the District to verify the reported amount of total premium payments for retiree insurance made directly to providers other than CalPERS. District premium payments made outside of CalPERS were made directly to retired participants in lieu of health benefits. The District provided copies of the retirees’ medical plan cards verifying coverage. The District provided a copy of the payroll reports for fiscal year 2010/2011 listing the retired participants and total amounts paid directly to the retirees. The total amount paid to the retirees for fiscal year 2010/2011 was $44,151.00. However, the amount reported to the CalPERS CERBT on the "Employers Summary of OPEB Contributions and Other Data for GASB 45/43 Reporting" was $42,426.00. As a result, the amount reported to the CERBT was under-reported by $1,725.00.

Criteria:

Government Code § 22944
California Employer’s Retiree Benefit Trust Program (CERBT) Agreement and Election of the El Dorado Hills Community Services District to Prefund Other Post-Employment Benefits Through CalPERS

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the District's payroll and health records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code 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 thirty 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, California Code of Regulations.

Respectfully submitted,

Original Signed by Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: June 2012
Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIA, CIDA, Manager
Karen Harlan, CIA
Terry Heffelfinger
Kathy Chan

APPENDIX A

BACKGROUND

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

BACKGROUND

California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts. CalPERS Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. CalPERS California Employers' Retiree Benefit Trust (CERBT) provides investment management, trust administration, and GASB 43 compliant reporting to California public employers who wish to pre-fund their Other Post-Employment Benefits (OPEB).

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employer's knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

APPENDIX B

OBJECTIVES

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

OBJECTIVES

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

- Whether the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the District's retirement, health benefits, and CERBT contracts with CalPERS were followed.

This review covers the period of July 1, 2008, through June 30, 2011. OAS completed a prior review covering the period of July 1, 1996, to June 30, 1999.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures, reviewed documents, and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
  - o Provisions of the contract and contract amendments between the District and CalPERS
  - o Correspondence files maintained at CalPERS
  - o District Council minutes and District Council resolutions
  - o District written labor policies and agreements
  - o District salary, wage and benefit agreements including applicable resolutions
  - o District personnel records and employee hours worked records
  - o District payroll information including Summary Reports and PERS listings
  - o Other documents used to specify payrate, special compensation and benefits for all employees
  - o Health Benefits Program enrollment records and supporting documentation
  - o Various other documents as necessary

- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District properly reported employee compensation.

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

Sample Size and Period: Reviewed nine employees covering two sampled service periods - the first service period in July 2010 (7/10-3), and the second service period in June 2011 (6/11-4).

See Finding 1: The District incorrectly reported the value of uniforms for staff not required to wear uniforms.

✓ Reviewed payrates reported to CalPERS and reconciled the payrates to the District's 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 District's governing body in accordance with requirements of applicable public meeting laws.

Sample Size and Period: Reviewed nine sampled employees in the second service period in June 2011 (6/11-4). In addition, two of the nine sampled employees' payrates were tested during the review period July 1, 2008, through June 30, 2011.

See Finding 2: The District incorrectly reported a monthly payrate not in accordance with the public salary information.

✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly: contribution code, pay code, work schedule code, service period, and member contributions.

Sample Size and Period: Reviewed nine sampled employees in the second service period in June 2011 (6/11-4).

No Finding

✓ Reviewed the District's enrollment practices pertaining to optional members, temporary/part-time employees, retired annuitants, and independent contractors to determine whether individuals met CalPERS membership requirements.

Temporary/part-time employees Sample Size and Period: Reviewed 11 temporary/part-time employees in fiscal years 2009/2010 and 2010/2011. In addition, reviewed two temporary/part-time employees, employed through a temporary employment agency, during fiscal year 2008/2009.

See Finding 3: The District did not enroll eligible temporary/part-time employees into CalPERS membership.

Retired Annuitants Sample Size and Period: Reviewed two sampled employees in fiscal years 2009/2010 and 2010/2011 and one of the sampled employee's hours worked during the 2008/2009 fiscal year.

See Finding 4: Retired annuitant exceeded 960 hours worked in a fiscal year and was not reinstated from retirement.

Independent Contractors Sample Size and Period: Reviewed two individuals selected from the 2009 and 2010 IRS 1099 Miscellaneous Income forms.

No Finding

✓ Reviewed the District's calculation and reporting of unused sick leave balances.

Sample Size and Period: Reviewed three members covering the review period.

No Finding

✓ Reviewed health records to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.

Sample Size and Period: Reviewed eight employees and their dependents during the review period.

No Finding

✓ Reviewed the District's payroll and personnel records to determine whether the District accurately reported retiree premiums paid directly to providers other than CalPERS CERBT and accurately reported participant data used in the OPEB cost valuation.

Sample Period: Fiscal year 2010/2011.

See Finding 5: The District under-reported the total premium payments for retiree insurance made directly to providers other than CalPERS on the "Employers Summary of OPEB Contributions and Other Data for GASB 45/43 Reporting."

APPENDIX C

CRITERIA

EL DORADO HILLS COMMUNITY SERVICES DISTRICT

CRITERIA

Government Code § 20028, subdivision (b), defines employee as:

Any person in the employ of any contracting agency.

Government Code § 20160 states:

a) Subject to subdivisions (c) and (d), the board may, in its discretion and upon any terms it deems just, correct the errors or omissions of any active or retired member, or any beneficiary of an active or retired member, provided that all of the following facts exist:

(1) The request, claim, or demand to correct the error or omission is made by the party seeking correction within a reasonable time after discovery of the right to make the correction, which in no case shall exceed six months after discovery of this right.

(2) The error or omission was the result of mistake, inadvertence, surprise, or excusable neglect, as each of those terms is used in Section 473 of the Code of Civil Procedure.

3) The correction will not provide the party seeking correction with a status, right, or obligation not otherwise available under this part.

Failure by a member or beneficiary to make the inquiry that would be made by a reasonable person in like or similar circumstances does not constitute an "error or omission" correctable under this section.

(b) Subject to subdivisions (c) and (d), the board shall correct all actions taken as a result of errors or omissions of the university, any contracting agency, any state agency or department, or this system.

(c) The duty and power of the board to correct mistakes, as provided in this section, shall terminate upon the expiration of obligations of this system to the party seeking correction of the error or omission, as those obligations are defined by Section 20164.

(d) The party seeking correction of an error or omission pursuant to this section has the burden of presenting documentation or other evidence to the board establishing the right to correction pursuant to subdivisions (a) and (b).

(e) Corrections of errors or omissions pursuant to this section shall be such that the status, rights, and obligations of all parties described in subdivisions (a) and (b) are adjusted to be the same that they would have been if the act that would have been taken, but for the error or omission, was taken at the proper time. However, notwithstanding any of the other provisions of this section, corrections made pursuant to this section shall adjust the status, rights, and obligations of all parties described in subdivisions (a) and (b) as of the time that the correction actually takes place if the board finds any of the following:

(1) That the correction cannot be performed in a retroactive manner.
(2) That even if the correction can be performed in a retroactive manner, the status, rights, and obligations of all of the parties described in subdivisions (a) and (b) cannot be adjusted to be the same that they would have been if the error or omission had not occurred.
(3) That the purposes of this part will not be effectuated if the correction is performed in a retroactive manner.

Government Code § 20305, subdivision (a), states, in part:

An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless: (1) He or she is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract. (3)(B) The person completes 125 days, if employed on a per diem basis or, if employed on other than a per diem basis, completes 1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which 125 days or 1,000 hours of service were completed.

Government Code § 20636, subdivision (b)(1), states:

"Payrate" means 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," for a member who is not in a group or class, means the monthly rate of pay or base pay of the member, paid in cash and pursuant to publicly available pay schedules, for services rendered on a full-time basis during normal working hours, subject to the limitations of paragraph (2) of subdivision (e).

Government Code § 20636, subdivision (c)(6), states, in part:

The board shall promulgate regulations that delineate more specifically and exclusively what constitutes "special compensation" as used in this section. A uniform allowance, the monetary value of employer-provided uniforms...shall be included as special compensation and appropriately defined in those regulations.

Government Code § 21220, states:

(a) A person who has been retired under this system, for service or for disability, may not be employed in any capacity thereafter by the state, the

university, a school employer, or a contracting agency, unless the employment qualifies for service credit in the University of California Retirement Plan or the State Teachers' Retirement Plan, unless he or she has first been reinstated from retirement pursuant to this chapter, or unless the employment, without reinstatement, is authorized by this article. A retired person whose employment without reinstatement is authorized by this article shall acquire no service credit or retirement rights under this part with respect to the employment.
(b) Any retired member employed in violation of this article shall:
(1) Reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law.
(2) 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.
(3) 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.
(c) Any public employer that employs a retired member in violation of this article shall:
(1) 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.
(2) 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.

Government Code § 21224, subdivision (a), states:

A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon temporary appointment by the appointing power of a state agency or public agency employer either during an emergency to prevent stoppage of public business or because the retired employee has specialized skills needed in performing work of limited duration. These appointments shall not exceed a total for all employers of 960 hours in any fiscal year, and the rate of pay for the employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties.

Government Code § 22944, states:

The board may, in its discretion and upon terms and conditions set by the board, authorize an employer to participate in the prefunding plan

established by this article. The governing body of a participating employer shall enter into a contract with the board, setting forth the terms and conditions of that employer's participation in the prefunding plan, including, but not limited to, funding, expenditures, and actuarial, accounting, reporting, and investment considerations.

California Code of Regulations § 571, subdivision (a)(5), defines uniform allowance as: Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes.

California Code of Regulations § 570.5, subdivision (a), states:

For purposes of determining the amount of compensation earnable pursuant to Government Code Sections 20630, 20636, and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

(1) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
(2) Identifies the position title for every employee position
(3) Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
(4) Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
(5) Is 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;
(6) Indicates an effective date and date of any revisions;
(7) Is retained by the employer and available for public inspection for not less than five years; and
(8) Does not reference another document in lieu of disclosing the payrate.

California Code of Regulations § 571, subdivision (b)(1), states:

The Board has determined that all items of special compensation listed in subsection (a) are:

(1) Contained in a written labor policy or agreement as defined at Government Code section 20049, provided that the document:

(A) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
(B) Indicates the conditions for payment of the item of special compensation, including, but not limited to, eligibility for, and amount of, the special compensation;
(C) Is 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;
(D) Indicates an effective date and date of any revisions;
(E) Is retained by the employer and available for public inspection for not less than five years; and
(F) Does not reference another document in lieu of disclosing the item of special compensation;
(2) Available to all members in the group or class;
(3) Part of normally required duties;
(4) Performed during normal hours of employment;
(5) Paid periodically as earned;
(6) Historically consistent with prior payments for the job classification;
(7) Not paid exclusively in the final compensation period;
(8) Not final settlement pay; and
(9) Not creating an unfunded liability over and above PERS' actuarial assumptions.
(c) Only items listed in subsection (a) have been affirmatively determined to be special compensation. All items of special compensation reported to PERS will be subject to review for continued conformity with all of the standards listed in subsection (b).
(d) If an item of special compensation is not listed in subsection (a) , or is out of compliance with any of the standards in subsection (b) as reported for an individual, then it shall not be used to calculate final compensation for that individual.

The California Employer's Retiree Benefit Trust Program (CERBT) Agreement and Election of the El Dorado Hills Community Services District to Prefund Other Post Employment Benefits Through CalPERS states, in part:

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan…
I. General Provisions
(1) Books and Records. Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure

that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained.

APPENDIX D

STATUS OF PRIOR REVIEW

FOLLOW UP ON PRIOR REVIEW FINDINGS
El DORADO HILLS COUMMUNITY SERVICES DISTRICT
EMPLOYER CODE 1401, PRIOR REVIEW P9-006

Prior Review Finding	Prior Review Recommendation	Status of Recommendation
1. The District incorrectly reported lump sum payments as compensation and did not report the value of uniforms.	The District should stop reporting lump sum payments and begin reporting uniform allowances.	Implemented. However, the District incorrectly reported the value of uniforms for employees not required to wear uniforms.
2. The District did not reinstate one retiree who exceeded the 960 hour threshold.	The District should review the hours worked by all retired annuitants and reinstate those that exceed 960 hours in a year.	Not implemented. Similar finding noted where a retired annuitant exceeded 960 hours of work in a fiscal year without reinstatement from retirement.
3. The District did not enroll or did not timely enroll eligible employees into membership who worked more than 1,000 hours in a fiscal year.	The District should review all hours worked in a fiscal year by all temporary employees and enroll those that meet membership eligibility criteria. The District should calculate the hours worked in a fiscal year by beginning on July 1st and ending on June 30th of the year.	Not implemented. Similar finding noted where the District did not enroll eligible employees into membership.

Conclusion:

The District implemented recommendations in regard to Finding #1; however, the value of uniforms for employees not required to wear uniforms was incorrectly reported. The District had not implemented recommendations in regard to Findings #2 and #3 of the prior report dated March 2000.

APPENDIX E

DISTRICT'S WRITTEN RESPONSE

50 Years 1962-2012
El Dorado Hills
COMMUNITY SERVICES DISTRICT

June 15, 2012

Margaret Junker, Chief
Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229-2701

RE: El Dorado Hills Community Services District, Employer Code: 1401

Dear Ms. Junker,

The District has reviewed the draft audit performed by your Office and is providing you with our written response as requested.

Incorrect reporting of the value of uniforms for employees not required to wear uniforms, as noted in Finding 1, was corrected with payroll dated November 10, 2011. The District plans to add a written labor policy or agreement defining the uniform provision.

As noted with Finding 2, the publicly available pay scale was updated in fiscal year 2011/2012 to correctly reflect the General Manager's authorized contract pay rate. The reported pay rate was less than the contract amount due to a rounding error; which the district is willing to make necessary adjustments as determined by CASD to correct the reporting.

With regards to Finding 3 we concur with the recommendation and agree to enroll the three employees, who are no longer working for the district, who completed 1,000 hours of work. The fourth employee, who is currently employed with the district, has been enrolled and now complies with the current regulations.

In Finding 4 we do not agree with the recommendation. This employee no longer works for the district. He will not return in the future. We ask you to reconsider your position.

In fiscal year 2008/09 the employee worked 3.24 hours over the threshold of 960 hours. The two subsequent years he worked 960 or less. Reinstating him into CalPERS and requiring him to reimburse CalPERS for the retirement allowance he received during the time he worked for the District would be a financial burden on this former employee.

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We ask that CalPERS forgive this error in light of the fact that only 3.24 hours were worked which violated the CalPERS regulations.

The District has implement new procedures and accountability which requires supervisors to track part time employee hours, to assure that employees will not exceed 999 hours without proper authorization from district management and the Board of Directors. Beginning in January 2013 or sooner, annuitants will only be employed on a short term basis to perform highly skilled work.

Premium payments for retiree insurance that were under-reported, as found in Finding 5, will be adjusted if recommended by the CalPERS CERBT program.

Thank you for considering our request.

Sincerely,

Sandi Kukkola

Sandi Kukkola
Acting General Manager

Cc: Mary Lynn Fisher, chief, BNSD, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Rand Anderson, Acting Chief, APSD, CERBT
Sherry Shannon, Acting Finance Director, EDHCSD
Tracey Lynn Lowry, Human Resource Manager, EDHCSD
Lori Cox, Accounting Specialist, EDHCSD