

# **Office of Audit Services**



## **Public Agency Review**

### **Grossmont Healthcare District**

**Employer Code: 1719  
CalPERS ID: 2153002583  
Job Number: P13-050**

**June 2014**



California Public Employees' Retirement System  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701  
TTY: (877) 249-7442  
(916) 795-0802 phone, (916) 795-7836 fax  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

June 20, 2014

Employer Code: 1719  
CalPERS ID: 2153002583  
Job Number: P13-050

Grossmont Healthcare District  
Barry M. Jantz, CEO  
9001 Wakarusa Street  
La Mesa, CA 91942

Dear Mr. Jantz:

Enclosed is our final report on the results of the public agency review completed for the Grossmont Healthcare District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issue noted in the report. In accordance with our resolution policy, we have referred the issue identified in the report to the appropriate division at CalPERS. Please work with this division to address the recommendations specified in our report. 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: Board of Directors, Grossmont Healthcare District  
Tom Saiz, CFO, Grossmont Healthcare District  
Risk and Audit Committee Members, CalPERS  
Gina M. Ratto, Interim General Counsel, CalPERS  
Renee Ostrander, Assistant Chief, CASD, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS

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# GROSSMONT HEALTHCARE DISTRICT

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# GROSSMONT HEALTHCARE DISTRICT

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## RESULTS IN BRIEF

The primary objective of our review was to determine whether Grossmont Healthcare District (Agency) complied with applicable sections of the California Government Code, California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the Agency's pay schedule did not meet all of the requirements of CCR section 570.5 during the review. Details are noted in the Results section beginning on page two of this report.

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

## SCOPE

The Agency contracted with CalPERS effective November 1, 1997 to provide retirement benefits for local miscellaneous 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 2013/2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from July 1, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted from February 10, 2013 through February 11, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

***Condition:***

The Agency's pay schedule did not meet the requirements of the CCR section 570.5. Specifically, the Agency's 2012/13 salary schedule was not duly approved and adopted by the employer's governing body in accordance with the requirements of the CCR section 570.5. The Agency subsequently provided a salary schedule that met all of the requirements of 570.5; however, the effective date of the salary schedule was July 1, 2013, which was subsequent to the review period.

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. According to 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.
- Not reference another document in lieu of disclosing the payrate.

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# GROSSMONT HEALTHCARE DISTRICT

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***Recommendation:***

The Agency should ensure its pay schedule meets all the CCR requirements.

The Agency should work with CalPERS Customer Account Services Division (CASD) to make necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

***Criteria:***

Government Codes: § 20160, § 20636 (a), § 20636(b)(1), § 20636(d)  
CCR: § 570.5

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# GROSSMONT HEALTHCARE DISTRICT

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## CONCLUSION

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

The finding and conclusion 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, California Code of Regulations.

Respectfully submitted,

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Diana Thomas, CIA, CIDA, Manager  
Chris Wall, Auditor  
Vincent Antolini, Auditor

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**GROSSMONT HEALTHCARE DISTRICT**

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# APPENDIX A

## OBJECTIVES



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# GROSSMONT HEALTHCARE DISTRICT

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## OBJECTIVES

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

- Whether the Agency complied with applicable sections of the California Government Code (sections 20000 et seq.) and Title 2 of the CCR.
- Whether prescribed reporting and enrollment procedures as they relate to the Agency's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2010 through June 30, 2013. This review did not include an assessment as to whether the Agency is a "public agency", and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

## SUMMARY

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 hours worked records
  - Agency payroll information including Contribution Detail Transaction History reports
  - Other documents used to specify payrate, special compensation, and benefits for all employees
  - Various other documents as necessary
- ✓ 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 meeting laws.

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## GROSSMONT HEALTHCARE DISTRICT

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- ✓ Reviewed CalPERS listing 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 960 hours were worked in a fiscal year.
- ✓ 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 entities to determine if the Agency shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the Agency or by the affiliated entity.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

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**GROSSMONT HEALTHCARE DISTRICT**

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# **APPENDIX B**

**AGENCY RESPONSE**

BOARD OF DIRECTORS

Michael T. Long, M.D.  
*President*

Robert Ayres  
*Vice President*

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Betty J. Stieringer, R.N.  
*Treasurer*

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*Member*



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[board@grossmonthealthcare.org](mailto:board@grossmonthealthcare.org)

Barry M. Jantz  
*Chief Executive Officer*

May 22, 2014

Ms. Margaret Junker, Chief  
Office of Audit Services, CalPERS  
P.O Box 942701  
Sacramento, CA 94229-2701

Re: Job Number: P13-050

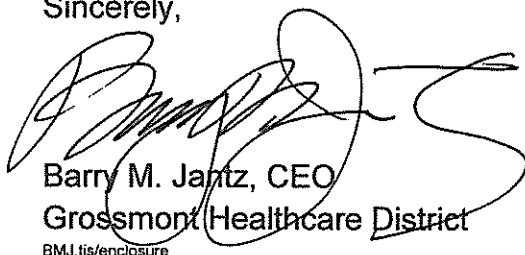
Dear Ms. Junker,

We are in receipt of your Public Agency Review report on Grossmont Healthcare District dated May 6, 2014.

We are in agreement our agency's 2012/13 salary schedule did not meet all the requirements of the CCR. We do wish to point out, as indicated in your report, we realized internally the salary schedule did not have all the required elements after attending a CalPERS seminar and ensured our 2013/14 salary schedule was fully compliant.

We appreciate the thorough audit and helpful comments extended to us by your field auditors during their review.

Sincerely,



Barry M. Jantz, CEO  
Grossmont Healthcare District  
BMJ.tjs/enclosure