Office of Audit Services

Public Agency Review

Groveland Community Services District

CalPERS ID: 4899312259
Job Number: P14-046

June 2015

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

June 26, 2015

CalPERS ID: 4899312259
Job Number: P14-046

Jonathan Sterling, General Manager
Groveland Community Services District
P.O. Box 350
Groveland, CA 95321-0350

Dear Mr. Sterling:

Enclosed is our final report on the results of the public agency review completed for the Groveland Community Services District (Agency). Your written response, included as an appendix to the report, indicates no disagreement 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 Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Groveland Community Services District
Jennifer Flores, Office Manager, Groveland Community Services District
Deborah Percoco, Financial Specialist, Groveland Community Services District
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

GROVELAND COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

SUBJECT PAGE

Results in Brief 1

Scope 1

Office of Audit Services Review Results 2

1: Pay Schedule 2

2: Payrate 4

3: Non-Reportable Compensation 5

4: Special Compensation 6

5: Reciprocal Self-Certification 8

6: Membership Enrollment 9

Conclusion 10

Objectives ..... Appendix A

Agency's Written Response ..... Appendix B

GROVELAND COMMUNITY SERVICES DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Groveland Community Services District (Agency) complied with applicable sections of the California Government Code, California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

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

- The pay schedule did not meet all of the Government Code and CCR requirements.
- Payrate was incorrectly reported.
- Non-reportable compensation was incorrectly reported.
- Special compensation was incorrectly reported.
- Member reciprocal self-certification was not maintained.
- Part-time employees were not enrolled upon meeting membership eligibility.

OAS recommends the Agency comply with applicable sections of the California 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 January 1, 1973 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 2014-15, the OAS reviewed the Agency's payroll reporting and member enrollment processes related 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, 2011 through June 30, 2014. The review objectives and a summary of the procedures performed are listed in Appendix A.

GROVELAND COMMUNITY SERVICES DISTRICT

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 revised October 28, 2013 did not meet the requirements of CCR Section 570.5. Specifically, the pay schedule was not duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws, and did not identify the position title and corresponding payrates for the General Manager/Operations and Maintenance Manager and District Engineer.

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.

GROVELAND COMMUNITY SERVICES DISTRICT

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

GROVELAND COMMUNITY SERVICES DISTRICT

2: The Agency reported an incorrect payrate.

Condition:

The Agency reported an incorrect payrate for an employee in the pay period ending May 27, 2014. Specifically, through an employment agreement approved by the Board, the Agency authorized an annual payrate of $135,000.00, which is equivalent to a monthly payrate of $11,250.00. However, the Agency reported an incorrect monthly payrate of $10,384.62. Payrate is an important factor in computing a member's retirement allowance because the service credit and final compensations are directly related to the payrate and earnings.

Recommendation:

The Agency should ensure payrates are correctly reported.

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

3: The Agency incorrectly reported non-reportable compensation.

Condition:

The Agency incorrectly reported non-reportable compensation as part of base pay and regular earnings for two employees in the pay period ending May 27, 2014. The employees received additional compensation for performing duties associated with Department Safety Officer. The employees' primary position is full-time; therefore, any compensation received for performing Department Safety Officer duties is not reportable because it is considered overtime.

The compensation also did not qualify as special compensation since the employees were not routinely and consistently assigned to instruct personnel in safety procedures. Additionally, Department Safety Officer pay was not contained in a written labor policy or agreement. Therefore, the additional compensation did not meet the definition of compensation earnable under Government Code Section 20636 and special compensation as defined in CCR Section 571.

Recommendation:

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, § 20636
CCR: § 571

4: The Agency incorrectly reported special compensation.

Condition:

A. 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 Operations and Maintenance Department employees to wear uniforms. The Agency provided 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 and CCR require compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, a statutory item, be reported as special compensation.

B. In addition, 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.

C. The Agency did not report Holiday Pay as special compensation for an employee in the pay period ending May 27, 2014. The Agency required the employee to work during the Memorial Day holiday. The Agency's labor agreement stated if an employee works on a holiday, the employee shall receive Holiday Pay plus wages at the straight-time rate for hours worked on the holiday unless otherwise stipulated by union contract. The employee worked on the May 26, 2014 and received additional compensation. However, the Agency did not report the additional compensation as special compensation. CCR Section 571 states that additional compensation paid to an employee who is required to work on a holiday because the employee worked in a position that required scheduled staffing without regard to holidays must be reported to CalPERS as special compensation.

D. The Agency incorrectly included special compensation in base pay and earnings for five employees in the pay period ending May 27, 2014. Specifically, the Agency incorrectly reported Educational Incentive and Lead Worker/Supervisor Premium in base pay and earnings.

Reportable special compensation is exclusively listed and defined in CCR Section 571. Reportable 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. In addition, special compensation must not be paid exclusively in the final compensation period and not be final settlement pay.

Recommendation:

The Agency should report the monetary value of uniforms, uniform maintenance, and Holiday Pay as special compensation.

The Agency should ensure the conditions for payment of the uniforms and uniform maintenance are contained in a written labor policy as required.

The Agency should report special compensation separate from payrate and earnings.

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
CCR: § 571

GROVELAND COMMUNITY SERVICES DISTRICT

5: The Agency did not maintain the required member reciprocal self-certification.

Condition:

The Agency did not maintain the required member reciprocal self-certification for one employee hired on February 23, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individual.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains this information.

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, § 20122, § 20125, § 20128, § 20160, § 7522.02, § 7522.04
CCR: § 579.3

6: The Agency did not enroll part-time employees upon meeting CalPERS membership eligibility.

Condition:

The Agency did not enroll three part-time employees into CalPERS membership when membership eligibility requirements were met. Specifically, the Agency did not enroll two employees who had active membership and one employee who completed 1,000 hours of service in fiscal year 2013-14. Pursuant to Government Code Section 20305, employees with active CalPERS membership are required to be enrolled. Additionally, employees who work 1,000 hours within a fiscal year shall be enrolled into membership effective not later than the first day of the first pay period of the month following the month in which 1,000 hours of service were completed.

Recommendation:

The Agency should ensure that part-time employees with active membership are enrolled upon hire.

The Agency should monitor the number of hours worked by part-time employees and ensure employees are enrolled when membership eligibility requirements are met.

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

Criteria:

Government Codes: § 20044, § 20065, § 20160, § 20305

GROVELAND COMMUNITY SERVICES DISTRICT

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives 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 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 Young Hamilton

YOUNG HAMILTON, CPA, CIA, CISA
Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Chris Wall, Senior Manager
Terry Heffelfinger, Lead Auditor
Nuntawan Camyre, Auditor

APPENDIX A

OBJECTIVES

GROVELAND COMMUNITY SERVICES DISTRICT

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.), California Public Employees' Pension Reform Act of 2013 (PEPRA) 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.

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."

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:
  - 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 hours worked 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 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 meetings laws.

- ✓ 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 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.

APPENDIX B

AGENCY'S WRITTEN RESPONSE

Groveland Community Services District

G.C.S.D. Services - 209 / 962-7161
Fax - 209 / 962-4943
Fire Department - 209 / 962-7891
www.gcsd.org

water • fire protection • parks • wastewater collection& treatment

18966 Ferretti Road P.O. Box 350 Groveland, CA 95321-0350

June 2, 2015

Young Hamilton, Acting Chief
Office of Auditing Services
P.O. Box 942701
Sacramento, CA 94229

Re: Cal PERS Draft Audit Report

Dear Mr. Hamilton,

The District is in receipt of the Draft Audit Report provided from your office and it has been reviewed by senior staff as well as the Board. The District has no opinion on the recommendations within the report; we do not agree nor disagree with the recommendations.

Sincerely,

[redacted] Original signed by Jon Sterling

Jon Sterling
General Manager
Groveland Community Services District