

Office of Audit Services



Public Agency Review

Jurupa Community Services District

**CalPERS ID: 4844295480
Job Number: P14-086**

February 2016



California Public Employees' Retirement System
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February 26, 2016

CalPERS ID: 4844295480
Job Number: P14-086

Kim Rieger, Human Resources Manager
Jurupa Community Services District
11201 Harrel Street
Jurupa Valley, CA 91752

Dear Ms. Rieger:

Enclosed is our final report on the results of the public agency review completed for the Jurupa Community Services District (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: Board of Directors, Jurupa Community Services District
Amber Lamas, Human Resources Analyst, Jurupa 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

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RESULTS IN BRIEF

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

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

- Pay schedule did not meet all of the requirements of the Government Code and CCR.
- Special compensation was not reported as required by the Government Code and CCR.
- Eligible part-time employees were not enrolled into membership.
- Member reciprocal self-certification was not maintained.
- Observation: 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 July 1, 1969 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 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 payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from July 1, 2011 through June 30, 2014. The review objectives and methodology 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 Government Code and CCR requirements.

Condition:

The Agency's pay schedule effective July 1, 2013 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule did not identify the position or payrate for the General Manager position. In addition, the pay schedule was not approved by the Agency's governing body.

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.

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Recommendation:

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636

CCR: § 570.5

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

Condition:

- A. The Agency incorrectly included special compensation in base payrate and regular earnings for employees who qualified for Educational Incentive and/or Bilingual Pay. Educational Incentive Pay and Bilingual Pay are defined in the Agency's written labor policies and are exclusively listed as special compensation in CCR Section 571. Therefore, Educational Incentive Pay and Bilingual Pay should be reported as special compensation separately from base payrate and regular earnings.
- B. The Agency incorrectly reported Longevity Pay in base payrate and/or earnings for two employees in the pay period ended May 25, 2014. Although Longevity Pay is listed and defined in CCR Section 571, it did not qualify as special compensation because the Agency combined other criteria with Longevity Pay in its written labor agreement. As a result, Longevity Pay did not meet the definition as outlined in CCR Section 571(a) and should not be included in base payrate or earnings.
- C. The Agency's written labor policy for field employees contained a provision for uniforms, but it did not meet all the requirements of CCR Section 571(b)(1)(B). Specifically, the policy did not indicate the conditions for payment of the uniform, including, but not limited to, the 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 report special compensation separate from base payrate and regular earnings.

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The Agency should not report additional compensation as special compensation unless it meets one of the definitions of special compensation listed in CCR Section 571.

The Agency should ensure the conditions for payment of the uniforms are contained in a written labor policy or agreement as required by the CCR.

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

Criteria:

Government Codes: § 20160, § 20630, § 20636
CCR: § 571

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3: The Agency did not enroll employees upon meeting CalPERS membership eligibility.

Condition:

The Agency did not enroll three part-time employees hired through a temporary agency into CalPERS membership when eligibility requirements were met. Specifically, the three part-time employees worked over 1,000 hours in Fiscal Year 2013-14 and were not enrolled into membership. Government Code Section 20305 requires employees who complete 1,000 hours of service within a fiscal year to be enrolled into membership effective no 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.

Government Code Section 20283 provides that any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all arrears cost for member contributions and administrative costs of five hundred dollars (\$500) per member as reimbursement to this system's current year budget.

Recommendation:

The Agency should ensure employees are enrolled when membership eligibility requirements are met.

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

Criteria:

Government Codes: § 20160, § 20283, § 20305

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

Condition:

The Agency did not maintain the required member reciprocal self-certification for part-time employees hired after January 1, 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 the information provided.

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, § 7522.02, § 7522.04
CCR: § 579.3

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Observation: 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*. 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 two 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 three individuals who had employment statuses that were different from the employment statuses in my|CalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through 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
Chris Wall, Senior Manager
Benjamin Banahene, Auditor
Billy Vi, Auditor

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."

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.

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

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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 entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide additional service credits for unused sick leave.
- ✓ 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



Chad Blais, President
Kenneth J. McLaughlin, Vice President
Betty A. Anderson, Director
Joan E. Roberts, Ph.D., Director
Jane F. Anderson, Director

January 28, 2016

Belize Chappuie, Chief
California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Re: CalPERS ID: 4844295480
Job Number: P14-086

Dear Ms. Chappuie:

Thank you for your letter dated January 19, 2016 and received via email January 21, 2016. The District appreciates the opportunity to comment on the draft report. Our written response is as follows:

1. Pay schedule did not meet all requirements of the Government Code and CCR.

We agree that for year 2013 the pay schedule did not identify the General Manager salary and the District's pay schedule was not approved by the Agency's governing body as a separate document.

The Agency's governing body approved the budget which included complete salary totals and not salary by position. The Board also approved the General Manager's contract which included terms and salary. These items have been corrected and there is now a separate document provided for Board approval identifying position titles, pay rates and General Manager Salary. The pay schedule is also available on the District website along with individual job descriptions showing hourly, monthly and annual salary.

2. Special compensation not reported in accordance with the Government Code and CCR.
 - A. We agree with the finding that special compensation was reported in the base pay rate due to the inability of the District's financial system's to break out special compensation from base pay rate.

The District has implemented a new ERP system which has corrected this issue and allows the break out of special compensation to help comply with CalPERS reporting requirements.

- B. We agree with the findings that longevity pay was reported in base pay rate and is intended to be a special compensation which does have other criteria noted in the 2014 labor agreement.

The District will work with CalPERS to correct this issue.

- C. We agree with the findings that the District uniform policy does not indicate the conditions for payment of the uniform.

The District is working on updating the policy to comply with all requirements and will work with CalPERS to correct this issue.

3. The Agency did not enroll employees upon meeting CalPERS membership eligibility.

We agree with the findings that the District did not enroll three part-time employees hired through a temporary agency into the CalPERS membership when eligibility requirements were met.

The District has updated policy to comply with Government Code Section 20305 and will work with CalPERS to correct any pending issues.

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

We agree with the findings that during that time frame the District did not have part-time employees self-certify in writing as whether he or she was a member of another public retirement system.

The District has corrected this issue and has all part-time employees self-certify in writing upon hire as to whether he or she was a member of another public retirement system. The District will work with CalPERS to correct any pending concerns.

We appreciate being given the opportunity to review a draft of the report and comment on its contents. If there is additional information you wish to discuss or receive, please do not hesitate to contact me directly at 951-727-3511.

Sincerely,

Original signed by Kim Rieger


Kim Rieger
Human Resources Manager