

Office of Audit Services



Public Agency Review

Leucadia Wastewater District

**Employer Code: 1231
CalPERS ID: 6826615640
Job Number: P13-026**

August 2014



California Public Employees' Retirement System
Office of Audit Services
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August 29, 2014

Employer Code: 1231
CalPERS ID: 6826615640
Job Number: P13-026

Paul Bushee, General Manager
Leucadia Wastewater District
1960 La Costa Avenue
Carlsbad, CA 92009

Dear Mr. Bushee:

Enclosed is our final report on the results of the public agency review completed for the Leucadia Wastewater 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 and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Phyllis Miller
PHYLLIS MILLER, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Leucadia Wastewater District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

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RESULTS IN BRIEF

The primary objective of our review was to determine whether Leucadia Wastewater 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 following findings during the review. Details are noted in the Results section beginning on page two of this report.

- Pay schedule did not meet one of the requirements of CCR Section 570.5(a).
- Special compensation for Uniform Allowance was not in a written labor policy or agreement.
- Unused sick leave was not reported.

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 divisions to resolve issues identified in this report.

SCOPE

The Agency contracted with CalPERS effective November 16, 1979 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 2013-14, 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 on October 24, 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 one of the requirements of CCR Section 570.5.

Condition:

OAS reviewed the Agency's pay schedule for fiscal year 2012-13 and determined the Agency's Board did not approve the pay schedule in accordance with requirements of applicable public meeting laws. 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.
- Not reference another document in lieu of disclosing the payrate.

Recommendation:

The Agency should ensure the publicly available pay schedules are reviewed, authorized and approved by the Board of Directors.

The Agency should work with CalPERS Customer Account Services Division (CASD) to ensure that the Agency's pay schedules meet the requirements of CCR Section 570.5 and to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

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

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2: The value of uniforms reported to CalPERS was not contained in a labor policy or written agreement.

Condition:

The amount of the monetary value of uniforms was not contained in a written labor policy or agreement. The Agency provided uniforms and uniform services to wastewater technicians required to wear uniforms, and the value of the uniform and uniform services was appropriately reported to CalPERS per Government Code Section 20636(c)(6). However, CCR Section 571(b) requires that the amount of the value of uniforms be included in a written labor policy.

Recommendation:

The Agency should ensure that the condition for payment of special compensation reported to CalPERS is contained in a written labor policy or agreement.

The Agency should work with CASD to identify the impact of this erroneous reporting and to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20636(c)(2), § 20636(c)(6)
CCR: § 571(b)

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3: The Agency did not report an unused sick leave balance.

Condition:

The Agency did not certify an unused sick leave balance for one sampled employee. Specifically, the Agency did not report 9.84 days of unused sick leave for one member. Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. The total number of unused sick leave hours at retirement is converted to days to determine the additional service credit.

Recommendation:

The Agency should ensure the balance of unused sick leave after cash out is reported to CalPERS for retiring members.

The Agency should work with CASD to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

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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 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, California Code of Regulations.

Respectfully submitted,

Original signed by Phyllis Miller

PHYLLIS MILLER, CPA, CIA

Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Manager
Alan Feblowitz, CFE, Manager
Edward Fama

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APPENDIX A

OBJECTIVES

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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 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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- ✓ 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 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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APPENDIX B

AGENCY RESPONSE



LEADERS IN
ENVIRONMENTAL
PROTECTION

BOARD OF DIRECTORS
DAVID KULCHIN, PRESIDENT
ALLAN JULIUSSEN, VICE PRESIDENT
JUDY K. HANSON, DIRECTOR
DONALD F. OMSTED, DIRECTOR
ELAINE SULLIVAN, DIRECTOR
PAUL J. BUSHEE, GENERAL MANAGER

March 15, 2014

14-4019

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

RE: Review of CalPERS Draft Compliance Report

Dear Ms. Junker,

Leucadia Wastewater District has reviewed your draft report regarding Leucadia Wastewater District's compliance with applicable sections of the California Government Code, California Code of Regulations (CCR) and our contract with the California Public Employees Retirement System (CalPERS). As requested in your correspondence of March 5, 2014, this letter will serve as our response to the draft report and shall be included as part of the final report.

Leucadia Wastewater District agrees with the recommendations in the report and will take necessary corrective action to:

1. ensure current and future pay schedules meet the requirements of CCR section 570.5(a);
2. ensure special compensation for the District's uniform allowance is included in a written labor policy or agreement; and
3. ensure that unused sick leave is reported, as required.

No other findings were identified in your draft report.

Please contact me at 760.753.0155 if there are questions concerning this letter or LWD's intended corrective actions.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul J. Bushee".

Paul J. Bushee
General Manager