Office of Audit Services

Public Agency Review

Lindsay Strathmore Public Cemetery District

CalPERS ID: 4522983656
Job Number: P14-042

May 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

May 29, 2015

CalPERS ID: 4522983656
Job Number: P14-042

Brenda Altermatt, Office Manager
Lindsay Strathmore Public Cemetery District
639 South Foothill Avenue
Lindsay, CA 93247

Dear Mrs. Altermatt:

Enclosed is our final report on the results of the public agency review completed for the Lindsay Strathmore Public Cemetery 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 Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Lindsay Strathmore Public Cemetery 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

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

TABLE OF CONTENTS

SUBJECT PAGE

Results in Brief 1

Scope 1

Office of Audit Services Review Results 2

- 1: Pay Schedule 2
- 2: Regular Earnings 4
- 3: Special Compensation 5
- 4: Member Contributions 6
- 5: Membership Enrollment 7
- 6: Reciprocal Self-Certification 9

Conclusion 10

Objectives ..... Appendix A

Agency Response ..... Appendix B

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Lindsay Strathmore Public Cemetery 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 all of the Government Code and CCR requirements.
- Regular earnings were incorrectly reported.
- Special compensation was not reported as required.
- Member contributions were incorrectly reported.
- Eligible employees were not enrolled when membership requirements were met.
- Member reciprocal self-certification information was not maintained.

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 July 1, 1972 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. Some of the employees selected were subject to the Public Employees' Pension Reform Act of 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

LINDSAY STRATHMORE PUBLIC CEMETERY 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 did not maintain a pay schedule that met all of the Government Code and CCR requirements. Specifically, the Agency did not have a pay schedule that listed all position titles and payrates. In addition, the pay schedule did not indicate the time base such as hourly, daily, bi-weekly, monthly or annually.

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.

LINDSAY STRATHMORE PUBLIC CEMETERY 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

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

2: The Agency incorrectly reported regular earnings.

Condition:

A. The Agency incorrectly reported earnings during the month of May 2014. Specifically, the Agency's employees are compensated on a weekly basis; however, the Agency reports monthly to CalPERS. OAS identified for the month of May 2014, the Agency incorrectly reported earnings because the reported earnings were based on 48 pay periods rather than 52 weekly pay periods. The Agency's methodology of converting weekly pay periods into a monthly pay period resulted in earnings being under reported by four weekly pay periods in a year.

B. The Agency incorrectly reported regular earnings for three employees during the pay period ending May 31, 2014. The employees are compensated on a weekly basis; however, the Agency reports to CalPERS on a monthly basis. Specifically, the Agency incorrectly reported earnings for April 28-30, 2014 in the pay period ending May 31, 2014 and did not include earnings from May 27-31, 2014 when reporting for the month of May 2014. Government Code Section 20630 requires employers to identify the pay period in which the compensation was earned regardless of when it was paid. Therefore, when reporting for the month of May, the Agency should have reported all reportable earnings from May 1-31, 2014.

Payrate and earnings are important factors in computing a member's retirement allowance because service credit and final compensation are directly related to the payrate and earnings reported for a member.

Recommendation:

The Agency should ensure all earnings are correctly reported and identify the pay period in which the compensation was earned.

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

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

3: The Agency did not report special compensation as required.

Condition:

A. The Agency did not report the monetary value of uniforms and uniform maintenance, for classic employees required to wear uniforms. The monetary value of uniforms is a statutory item of special compensation that is required to be reported to CalPERS in accordance with the Government Code and CCR. Specifically, CCR Section 571 requires the monetary value for the purchase, rental, and/or maintenance of required clothing be reported as special compensation.

B. The Agency did not include the conditions for payment of the uniforms, including, but not limited to, eligibility for, and amount of, the special compensation in a written labor policy or agreement as required by CCR Section 571.

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 for 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 ensure the monetary value of uniforms and uniform maintenance is reported as special compensation and the conditions for payment of the uniforms are included in the written labor agreements for classic members.

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

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

4: The Agency incorrectly reported member contributions.

Condition:

The Agency incorrectly reported member contributions during the pay period ending May 30, 2014. Specifically, the Agency reported member contributions as taxed contrary to its 414(H)(2) Resolution effective November 4, 2014, which provides for the member contributions to be reported as taxed deferred.

Recommendation:

The Agency should correctly report member contributions in accordance with its 414(H)(2) Resolution.

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

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

5: The Agency did not enroll employees into membership timely.

Condition:

The Agency did not enroll three employees into membership when eligibility requirements were met. Specifically,

- The Agency did not enroll a part-time employee who had active membership with another CalPERS employer effective June 1, 2011. Specifically, the part-time employee initially worked for the Agency and was subsequently hired and enrolled by another employer that contracts with CalPERS for retirement benefits. Once the employee's eligibility was established with another contracting employer, the Agency was required to immediately enroll the employee into membership through my|CalPERS. Pursuant to Government Code Section 20305, employees with active CalPERS membership are required to be enrolled upon hire.

- The Agency did not enroll another part-time employee who had active membership. Specifically, the Agency rehired the employee as a part-time Groundsman effective March 4, 2013. The Agency did not enroll and report earnings for the employee until November 6, 2013. The Agency should have enrolled and reported earnings for the employee at time of hire on March 4, 2013.

- The Agency did not enroll an employee hired to work on a full-time basis. Specifically, the employee was initially hired as a temporary employee effective May 10, 2010 and subsequently hired full time effective January 17, 2012. Employees hired to work full-time for a period greater than six months should be enrolled upon hire.

Government Code 20305 requires an employee, who is a member enrolled 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, be enrolled into membership upon hire. Pursuant to Government Code Section 20283 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 have known of that eligibility shall be required to pay all arrears costs for member contributions and administrative costs of five hundred dollars ($500) per member.

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

Recommendation:

The Agency should ensure that all eligible employees are enrolled timely. In addition, the Agency should implement procedures to identify newly hired employees with active CalPERS membership.

The Agency should work with EAMD to assess the impact of this issue and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20044, §20283, § 20305,

LINDSAY STRATHMORE PUBLIC CEMETERY DISTRICT

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

Condition:

The Agency did not maintain the required member reciprocal self-certification for two 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 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, § 20128, § 20160, § 7522.02, § 7522.04
CCR: § 579.3

LINDSAY STRATHMORE PUBLIC CEMETERY 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
Diana Thomas, CIA, CIDA, Senior Manager
Chris Wall, Senior Manager
Terry Heffelfinger, Lead Auditor
Aileen Wong, Lead Auditor
Benjamin Banahene, Auditor

APPENDIX A

OBJECTIVES

LINDSAY STRATHMORE PUBLIC CEMETERY 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.) 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 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 RESPONSE

LINDSAY – STRATHMORE PUBLIC CEMETERY
639 S. FOOTHILL
LINDSAY, CA 93247
PHONE/FAX: (559) 562-3349

May 26, 2015

Ms. Young Hamilton
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Dear Ms. Hamilton,

I was placed in the position of office manager at LSCD in October of 2012. As manager, I had no training. I tried to do the best that I could during a very difficult time.
During the recent CalPERS audit, I appreciated Ms. Aileen Wong and Mr. Benjamin Banahene's sensitivity to what had occurred and was occurring in our district.
This letter is in response to the report that I received on May 22, 2015. I agree with the recommendations and findings in the draft report.
Though feeling inadequate and ill-equipped, I am looking forward to personally working with CalPERS agencies' representatives to correct the issues identified in said report.

Sincerely,

Original signed by Brenda Altermatt [redacted]

Brenda Altermatt, Cemetery Manager