Office of Audit Services

Public Agency Review

Madera Cemetery District

CalPERS ID: 5899889070
Job Number: P14-018

February 2015

California Public Employees' Retirement System
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February 27, 2015

CalPERS ID: 5899889070
Job Number: P14-018

Belva Bare, District Manager
Madera Cemetery District
1301 Roberts Avenue
Madera, CA 93637

Dear Ms. Bare:

Enclosed is our final report on the results of the public agency review completed for the Madera Cemetery District (Agency). Your written response, included as an appendix to the report, indicates acceptance of 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 Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Trustees, Madera Cemetery District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Diane Alsup, Interim Chief, BNSD, CalPERS
Anthony Suine, Interim Chief, CASD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

MADERA CEMETERY DISTRICT

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MADERA CEMETERY DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Madera 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 requirements of the Government Code and CCR.
- Special compensation for the monetary value of uniforms and uniform maintenance was not in a written labor policy or agreement.
- Employer Paid Member Contribution (EPMC) was incorrectly reported.
- Unused sick leave was incorrectly 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 July 1, 1963 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. OAS selected one employee subject to the Public Employees' Pension Reform Act of 2013 (PEPRA). The review objectives and a summary of the procedures performed are listed in Appendix A.

MADERA CEMETERY DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency's pay schedule did not include all position titles and corresponding salary ranges as required by Government Code Section 20636 and CCR Section 570.5. Specifically, the Agency's pay schedule did not include the position title and salary range for the Agency's Superintendent.

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 meeting 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 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). There are no exceptions included in Government Code Section 20636(b)(1).

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Recommendation:

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

The Agency should work with the Customer Account Services Division (CASD) to make any adjustments, if necessary, to 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 value of uniforms reported to CalPERS was not contained in a written labor policy or agreement.

Condition:

The Agency's written labor policy or agreement did not indicate the conditions for payment, including the monetary value of uniforms and uniform maintenance as required by the CCR for classic members. The Agency requires and provides uniforms and uniform maintenance to full-time cemetery groundsman employees. Although the Agency appropriately reported the value of the uniforms and uniform maintenance to CalPERS as required, it did not indicate the conditions for payment in a written labor policy or agreement.

Recommendation:

The Agency should ensure the conditions for payment of special compensation reported to CalPERS are included in the written labor policy or agreement.

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

Criteria:

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

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3: The Agency did not pay the correct amount of Employer Paid Member Contributions (EPMC).

Condition:

The Agency did not pay the correct amount of EPMC for all full-time groundsman employees. Specifically, the Agency only applied the contribution rate to regular earnings instead of compensation earnable which includes special compensation of the monetary value of uniforms and uniform maintenance. As a result, the amount of EPMC was underpaid and underreported.

Recommendation:

The Agency should include special compensation when calculating the EPMC.

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

Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20636, § 20691
CCR: § 571

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4: The Agency incorrectly reported unused sick leave balances.

Condition:

The Agency did not certify the correct number of unused sick leave days for two retirees. Specifically, the Agency incorrectly certified a balance of .263 years, equivalent to 65.75 days, of unused sick leave for one retiree. However, the correct unused sick leave balance was 43.97 days. For the second retiree, the Agency did not certify any days of unused sick leave. However, the retiree cashed out 50 percent of unused sick leave at retirement and had a remaining balance of 34.5 days which should have been certified. 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 correct amount of unused sick leave for retiring members is reported to CalPERS.

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

Criteria:

Government Codes: § 20160, § 20965

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Observation: The Agency's administration of its contract exclusion for hourly compensated employees is not clearly defined.

The contract between CalPERS and the Agency excludes employees compensated on an hourly basis hired after July 1, 1964. However, OAS determined the Agency did not exclude hourly compensated employees from membership. OAS recommends that the Agency work with CASD to determine the appropriate course of action.

MADERA 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
Michael Obad, Lead Auditor

APPENDIX A

OBJECTIVES

MADERA 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.

MADERA CEMETERY DISTRICT

- ✓ 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 REPSONSE

Madera Cemetery District

A Public Cemetery / Endowment Care Cemetery

1301 Roberts Ave.
P.O. Box 477
Madera, CA 93639
Phone (559) 674-8826
FAX (559) 674-3237
E-mail: madcem@yahoo.com
Website: www.maderacemetery.com

CANDY TALLEY
Chairperson

MAURICE CAPPELLUTI
Vice Chairperson

JIM HARPER
Trustee

LOIS BETTY
Trustee

DAVID G. NEMETH
Trustee

BELVA BARE
District Manager

February 17th, 2015

Employer ID: 5899889070
Job Number: P14-018

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

Dear Mr. Hamilton,

I have received and reviewed the "Draft" audit report your office prepared.

Finding # 1: Pay schedule did not meet all the Government Code and CCR requirements

Recommendation:

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

Response:

The title of Superintendent was accidently omitted from the current salary schedule. This salary schedule has been in effect since 1989 and the title of Superintendent and salary range has been intact since its inception. I believe over time and salary changes this written title error occurred. We have corrected this in a timely manner.

We will work with Customer Account Services Division.

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

Recommendation:
The Agency should ensure the conditions for payment of special compensation reported to CalPERS are included in the written labor policy or agreement.
Response:
Madera Cemetery District will work with CASD to ensure the conditions for payment of special compensation and also to put into place a written labor policy for special compensation.

Finding # 3: The Agency did not pay the correct amount of Employer Paid Member Contributions. (EPMC)
Recommendations:
The Agency should include special compensation when calculating the EMPC. The Agency should work with CASD to make any adjustments, if necessary, to active and retired member accounts pursuant to Government Code Section 20160.
Response:
Madera Cemetery District assumed it was paying the correct amount regarding special compensations (uniform allowance). This amount was included when reporting it under in MyCalPERS. I was not aware it was not being calculated in the total amount of remittance.
Madera Cemetery District will work with CASD in correcting this error and make any adjustments.

Finding # 4: The Agency reported incorrect unused sick leave balances.
Recommendations:
The Agency should ensure the correct amount of unused sick leave for retiring members is reported to CalPERS.
The Agency should work with CASD to make any adjustments, if necessary, to retired member accounts pursuant to Government Code Section 20160
Response:
The Madera Cemetery District will work with CASD to make any adjustments, if necessary, to retired member accounts.

Thank you for the opportunity to respond to these findings. It is Madera Cemetery District's goal to be the very best in all aspects as CalPERS members and for our employees.

Sincerely,

[redacted] Orignal Signed By Belva Bare

Belva Bare
District Manager
Madera Cemetery District
1301 Roberts Ave
Madera, Ca. 93637
559 674-8826