

# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

## **McFarland Recreation and Park District**

**CalPERS ID: 7763145158  
Job Number: P14-077**

**October 2015**



California Public Employees' Retirement System  
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October 30, 2015

CalPERS ID: 7763145158  
Job Number: P14-077

Joana Martinez, Administrative Assistant  
McFarland Recreation and Park District  
P.O. Box 337  
McFarland, CA 93250

Dear Ms. Martinez:

Enclosed is our final report on the results of the public agency review completed for the McFarland Recreation and Park District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 4 and the Observation. We appreciate the additional information regarding Finding 4 and the Observation that you provided in your response. After consideration of this information, our recommendations remain as stated in the report. However, we added clarifying language to the Observation.

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, McFarland Recreation and Park 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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# MCFARLAND RECREATION AND PARK DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether McFarland Recreation and Park 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.

- Special compensation was not reported as required by the Government Code and CCR.
- Payrate and earnings were incorrectly reported.
- Eligible part-time employees were not enrolled into CalPERS membership.
- Member reciprocal self-certification was not maintained.
- Observation: Census Data Reporting

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 April 8, 1978 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 January 1, 2012 through December 31, 2014. The review objectives and methodology are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

### ***Condition:***

- A. The Agency did not report the monetary value for the purchase and maintenance of uniforms as special compensation for groundskeepers and park supervisors. Specifically, groundskeepers and park supervisors are provided with uniforms and are required to wear them. However, the monetary value of the uniforms and uniform maintenance was not reported to CalPERS. Government Code Section 20636 and CCR Section 571 requires that the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation for classic employees.
- B. 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.

### ***Recommendation:***

The Agency should ensure the monetary value of uniform and uniform maintenance is reported as special compensation for classic employees.

The Agency should ensure the conditions for payment of the purchase and maintenance of uniforms are contained in a written labor policy or agreement.

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, § 20630, § 20636  
CCR: § 571

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2: The Agency reported incorrect payrate and earnings.

***Condition:***

The Agency reported incorrect payrate and earnings for an employee holding two part-time positions. Specifically, the employee worked part-time as a receptionist compensated at \$12.00 an hour and part-time as a facility supervisor compensated at \$9.00 an hour. The Agency incorrectly reported the employee's payrate of \$12.00 as a single line item instead of reporting payrate for each position as separate line items. As a result, the employee's base payrate was over reported. In addition, the Agency incorrectly reported earnings of \$840.00 for the pay period ended December 26, 2014. Specifically, the employee worked 69.25 hours as a receptionist and two hours as a facility supervisor. The Agency should have reported earnings of \$831.00 for the receptionist position and \$18.00 for the facility supervisor position as separate line items. As a result, the employee's earnings were under reported.

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

***Recommendation:***

The Agency should ensure payrate and earnings 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: § 20120, § 20121, § 20160, § 20636

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

***Condition:***

- A. The Agency did not enroll an eligible full-time employee into membership. Specifically, the Agency hired an employee to work in the Facility Maintenance position on a full-time basis effective September 2, 2014. Government Code Section 20305 requires employees hired to work full-time for a period greater than six months be enrolled into CalPERS membership upon hire.
  
- B. The Agency did not enroll three part-time employees who worked more than 1,000 hours in Fiscal Year 2013-14. The first part-time employee exceeded 1,000 hours worked in the pay period ended March 21, 2014, the second part-time employee exceeded 1,000 hours worked in the pay period ended February 7, 2014, and the third part-time employee exceeded the 1,000 hours worked in the pay period ended April 18, 2014. The Agency did not enroll these employees 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 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.

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.

***Recommendation:***

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

The Agency should monitor the hours worked by part-time employees and enroll them when they become eligible.

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, § 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 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 assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted 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 did not agree with my|CalPERS information.

OAS reviewed active member census data used to calculate pension liability for the financial reporting purpose under 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 discrepancies between the Agency's records and my|CalPERS database. Specifically, three employees had hire dates that were different from the hire dates in my|CalPERS. Subsequent to the on-site fieldwork, the Agency worked with CalPERS EAMD to ensure the hire dates were corrected in my|CalPERS. As a result, OAS considers this observation resolved.

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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

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BELIZ CHAPPUIE, CPA, MBA  
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Diana Thomas, CIA, CIDA, Senior Manager  
Chris Wall, Senior Manager  
Christopher Lee, 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 California Government Code (Sections 20000 et seq.), California Public Employees' Pension Reform Act of 2013 (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
  - Other documents used to specify payrate, special compensation, and benefits for employees
  - Other various relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.

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- ✓ 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 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 for 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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**MCFARLAND RECREATION AND PARK DISTRICT**

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



100 South Second Street / P.O. Box 337

McFarland, CA 93250-0337

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*"Dedication to the Quality of Community Life"*

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

October 8, 2015

Re: CalPERS ID: 7763145158  
Job Number: P14-077

Dear Ms. Chappuie:

With regards to the audit draft report done on our agency the following is a response to the findings:

1. Did not report special compensation
  - a. Agree with this finding. Groundskeeper uniforms are purchased through McFarland Rec. (MRPD) and given to each employee at no cost to the employee. Uniforms are washed by employee and MRPD purchases replacement of shirts as needed at no cost to employee.
  - b. Agree with this finding. Operations manual has been in the processes of being revised but we have yet to determine reimbursement amount if any.
2. Reported incorrect pay rate and earning
  - a. Agree with this finding. Although, hours and salary were reported correctly for receptionist position, we are a small agency. A lot of our staff wear many hats; in this case receptionist on occasions has been our facility supervisor (may work hours in 2 weeks or may not work any) among other titles throughout the years. In my understanding, all the hours and salary that I needed to report were those which qualified the employee for the benefits under guidelines given to me by the prior Administrative Assistant.
3. Did not enroll eligible employees upon meeting eligibility
  - a. Agree with this finding. This particular employee first started with MRPD as a facility Supervisor (turning on lights at the most 4 hours a week). On May 2014

employee was hired as a seasonal possibly working 3 to 6 months. MRPD then opened up a position for Facility Maintenance in September 2014, were this employee was promoted and put on a 6 month probation period. All employees when hired are put on 6 months' probation once they pass probation period and certified by Board employee then gets benefits (ie. CalPERS).

- b. Agree with this finding, although it was my understanding for the 1000 hours is that in order to qualify for CalPERS you have to be a full-time year round employee who works more than 1000 hours in a fiscal year. The 1000 hours was a bit confusing as to who qualified (ie. part-time, seasonal); every time I had any concern and wanted clarification I called CalPERS and received different points of view but no concrete answer or guideline. I did get a document with regards to the qualifications of hours but it was not clear enough for me and I kept asking for help but got no response back.

Employee #1 is a part-time employee who works different positions, which therefor does not meet the 1000 hours in only one position. Employee #2 this employee was also a part-time employee and worked an excess approved amount of hours during his employment with us. He was also never taken off probation nor certified by the Board. Currently no longer employed with MPRD. Employee #3 employee was hired as seasonal and let go then rehired almost right after for other job duties. Currently no longer employed with MPRD.

4. Did not maintain required reciprocal self-certification
  - a. Disagree with this finding, was not aware of this requirement until recently with new hire. When I called in to add Mr. Arambula (was not able to do it online and CalPERS representative added him over the phone) I was never asked for this form and therefore was not aware of it. This was the only employee that was added to CalPERS after January 1, 2013.
5. Observation
  - a. Disagree with this finding; received a call from Debbie (CalPERS representative) stating all dates were entered correctly on our end and she had corrected dates in her end.

We acknowledge and understand the seriousness in this matter and we want nothing more than to be in complaint with CalPERS. We will make the necessary changes to correct this matter as soon as possible. I would like the assistance of CalPERS by providing a course/training for first time CalPERS administrators as this is imperative to continue business without errors. We appreciate all the assistance and cooperation from you and your staff in this matter. If you have any questions, please contact me at (661) 792-3187.

Sincerely,

  
Joana Martinez  
Administrative Assistant

Original signed by Joana Martinez