

# **Office of Audit Services**



## **Public Agency Review**

### **Nevada Irrigation District**

**CalPERS ID: 5193568792**  
**Job Number: P13-062**

**November 2014**



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](http://www.calpers.ca.gov)

November 26, 2014

CalPERS ID: 5193568792  
Job Number: P13-062

Mary A. Morris, Interim Finance Manager  
Nevada Irrigation District  
1036 W. Main Street  
Grass Valley, CA 95945

Dear Ms. Morris:

Enclosed is our final report on the results of the public agency review completed for the Nevada Irrigation 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, Nevada Irrigation District  
Risk and Audit Committee Members, CalPERS  
Matthew G. Jacobs, General Counsel, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Renee Ostrander, Assistant Chief, CASD, CalPERS

---

# NEVADA IRRIGATION DISTRICT

---

## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results .....	2
1: Pay Schedule .....	2
2: Special Compensation .....	4
3: Retired Annuitant.....	5
Conclusion .....	6
Objectives .....	Appendix A
Agency Response.....	Appendix B

---

# NEVADA IRRIGATION DISTRICT

---

## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Nevada Irrigation 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 requirements of the Government Code and CCR.
- Special compensation was not reported as required by CCR Section 571.
- Retired annuitant information was not correctly reported in my|CalPERS.

OAS did not identify any findings related to sampled employees subject to the Public Employees' Pension Reform Act of 2013 (PEPRA).

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 December 27, 1981 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 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 January 1, 2011 through December 31, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

---

# NEVADA IRRIGATION DISTRICT

---

## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency's pay schedule did not meet all the requirements of the Government Code and CCR Section.

***Condition:***

The Agency's pay schedule was not approved by the Agency's governing body as required by the CCR. In addition, the pay schedule does not indicate the correct effective date or date of any revisions as required.

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 pay rate 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.

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).

---

# NEVADA IRRIGATION DISTRICT

---

***Recommendation:***

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

The Agency should work with CalPERS Customer Account Services Division (CASD) to make any necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20636

CCR: § 570.5

---

# NEVADA IRRIGATION DISTRICT

---

**2:** The Agency did not report special compensation as required by the CCR.

***Condition:***

The Agency did not report the monetary value of uniforms and uniform maintenance for employees required to wear uniforms. The Agency provided uniforms to several groups of employees. However, the Agency did not report the monetary value for the purchase and maintenance of uniforms as special compensation. In addition, the Agency did not include the conditions for payment of the uniforms, including, but not limited to, eligibility for, and amount of, in a written labor policy or agreement as required by CCR Section 571.

***Recommendation:***

The Agency should report the monetary value of uniforms as special compensation and ensure the conditions for payment are contained in a written labor policy.

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, 20630, § 20636  
CCR: § 571

---

# NEVADA IRRIGATION DISTRICT

---

**3:** The Agency did not correctly report retired annuitant hours.

***Condition:***

The Agency did not correctly report the hours worked and earnings paid to retired annuitants. Specifically, the Agency did not input all hours and earnings for two retired annuitants into my|CalPERS. Although the retired annuitants did not exceed 960 hours in a fiscal year, the Agency did not report all hours and compensation in my|CalPERS as required.

***Recommendation:***

The Agency should enroll and report retired annuitant hours and earnings in my|CalPERS pursuant to Government Code Section 20121.

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: § 20121, § 20122, § 20160



---

# NEVADA IRRIGATION DISTRICT

---

## 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  
Alan Feblowitz, CFE, Manager  
Emma Shaw, Auditor  
Antonio Madrigal Jr., Auditor

---

**NEVADA IRRIGATION DISTRICT**

---

# **APPENDIX A**

## **OBJECTIVES**

---

# NEVADA IRRIGATION 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:
  - 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.

---

## NEVADA IRRIGATION 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 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.

---

**NEVADA IRRIGATION DISTRICT**

---

# **APPENDIX B**

## **AGENCY RESPONSE**



# NEVADA IRRIGATION DISTRICT

---

1036 W. Main Street, Grass Valley, CA 95945-5424 ~ www.nidwater.com  
(530) 273-6185 ~ Fax: (530) 477-2646 ~ Toll Free: (800) 222-4102

November 5, 2014

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

Re: CalPERS ID 5193568792, Job Number P13-062, Draft Public Agency Review Report

Dear Ms. Miller:

The Nevada Irrigation District has received the above-referenced report and reviewed findings as well as recommendations. NID's response to each recommendation is listed below:

*Finding 1: Pay schedule did not meet requirements of CCR Section 570.5.*

*Recommendation 1: The Agency should ensure its pay schedule meets all the CCR requirements.*

Although the Position Listing/Compensation Schedule posted on NID's website substantially conforms to these requirements, it is not specifically approved by the Board of Directors (BOD). Any rate increases are approved through the collective bargaining process and adopted by the BOD through updated agreements. The Wage Range Schedule is adopted as a component of the annual budget; however this document is listed by range and does not list the position titles. NID agrees with the recommendation and is in the process of providing the updated Position Listing/Compensation Schedule to the BOD for approval with website posting to follow.

*Finding 2: Special compensation was not reported as required by CCR Section 571.*

*Recommendation 2: The Agency should report the monetary value of uniforms as special compensation and ensure the conditions for payment are contained in a written labor policy.*

NID agrees with the recommendation and is in the process of implementing the procedure to track and report the monetary value of uniforms as well as program the payroll system to include this component in the payroll reporting upload to CalPERS. In addition, a policy is being drafted and reviewed which will be adopted through the proper channels.

*Finding 3: Retired annuitant information was not correctly reported in my|CalPERS.*

*Recommendation 3: The Agency should enroll and report retired annuitant hours and earnings in my|CalPERS pursuant to Government Code Section 20121.*

NID agrees with the recommendation and is implementing this procedure.

NID appreciates the opportunity to respond to the findings of the CalPERS Public Agency Review Draft Report. Please let me know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Mary A. Morris".

Mary A. Morris  
Interim Finance Manager