

# **Office of Audit Services**



## **Public Agency Review**

### **Pebble Beach Community Services District**

**CalPERS ID: 2673411482  
Job Number: P14-017**

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

March 27, 2015

CalPERS ID: 2673411482  
Job Number: P14-017

Suha Kilic, Chief Financial Officer  
Pebble Beach Community Services District  
3101 Forest Lake Road  
Pebble Beach, CA 93953

Dear Mr. Kilic:

Enclosed is our final report on the results of the public agency review completed for the Pebble Beach Community Services District (Agency). Your written response, included as an appendix to the report, indicates disagreement with Finding 1. We reviewed your response and found it included additional information we were not informed of during the on-site fieldwork. After consideration of the additional information, we agree your Agency was in compliance and removed Finding 1. As a result, Findings 2 and 3 of the draft report are restated as Findings 1 and 2 of the final 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, Pebble Beach Community Services 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, Chief, EAMD, CalPERS

---

# PEBBLE BEACH COMMUNITY SERVICES DISTRICT

---

## TABLE OF CONTENTS

| <u>SUBJECT</u>                                | <u>PAGE</u> |
|---|-------------|
| Results in Brief.....                         | 1           |
| Scope.....                                    | 1           |
| Office of Audit Services Review Results ..... | 2           |
| 1: Member Contributions .....                 | 2           |
| 2: Labor Agreements.....                      | 3           |
| Conclusion .....                              | 4           |
| Objectives .....                              | Appendix A  |
| Agency Response.....                          | Appendix B  |

---

# PEBBLE BEACH COMMUNITY SERVICES DISTRICT

---

## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Pebble Beach Community Services 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.

- Contributions were not paid in accordance with the Agency resolution.
- Monetary value of uniforms was not contained in written labor policy or agreement.

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, 2004 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. The employees selected were not 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.

---

# PEBBLE BEACH COMMUNITY SERVICES DISTRICT

---

## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency did not pay member contributions in accordance with its resolution.

***Condition:***

The Agency incorrectly paid member contributions for five employees. Specifically, the members' normal contribution rate was eight percent on all reportable compensation, and the Agency's governing body approved a resolution to pay seven percent of the members' normal contribution. Although the Agency correctly paid seven percent on members' regular earnings, it incorrectly paid the entire eight percent on members' special compensation. The Agency should have paid seven percent on members' special compensation and the member should have paid one percent in accordance with the resolution, therefore, the split between the Agency and employees was not correctly applied. However, we found the Agency correctly remitted the entire contribution to CalPERS.

***Recommendation:***

The Agency should ensure it correctly pays member contributions in accordance with its resolution.

The Agency should work with CalPERS 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, § 20691  
CCR: § 569

---

# PEBBLE BEACH COMMUNITY SERVICES DISTRICT

---

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

***Condition:***

The Agency's written labor agreement did not list the monetary value of the uniforms and uniform maintenance provided for its classic employees. Reportable special compensation is required to be contained in a written labor policy or agreement with conditions for payment including, but not limited to, eligibility for and amount of the special compensation.

***Recommendation:***

The Agency should indicate the monetary value of the uniforms and uniform maintenance in its written labor policy or agreement.

The Agency should work with CASD to determine the appropriate course of action.

***Criteria:***

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

---

# PEBBLE BEACH COMMUNITY SERVICES 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  
Alan Feblowitz, CFE, Senior Manager  
Vincent Antolini, Associate Program Evaluator

# APPENDIX A

## OBJECTIVES



---

# PEBBLE BEACH COMMUNITY SERVICES 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 meetings laws.

---

## **PEBBLE BEACH COMMUNITY SERVICES 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.

---

**PEBBLE BEACH COMMUNITY SERVICES DISTRICT**

---

# **APPENDIX B**

**AGENCY RESPONSE**



Mike Niccum, General Manager/Secretary

PEBBLE BEACH

COMMUNITY SERVICES DISTRICT

3101 FOREST LAKE ROAD • PEBBLE BEACH, CALIFORNIA 93953 • (831) 373-1274 • FAX (831) 373-2357

March 2, 2015

Young Hamilton, Acting Chief  
CalPERS Office of Audit Services  
PO Box 942701  
Sacramento, CA 94229-2701

Re: CalPERS ID:2673411482, Job Number: P14-017

Dear Mr. Hamilton,

The following are Pebble Beach Community Services District's (District) responses to the three findings/recommendations provided in the draft report on CalPERS compliance review:

1. Disagreed. The General Manager's pay rate was approved by the District Board in its December 13, 2013 regular meeting which was held in accordance with applicable public meeting laws. The payments made to the General Manager and premiums reported and paid to CalPERS are accurate. The pay schedule was available and posted on the District's website.
2. Agreed. The District over-reported Employer Paid Member Contributions (EPMC) by sixteen dollars 14 cents (\$16.14) and under-reported member contributions by the same amount for the five maintenance employees during the review period (July 1, 2011 through June 30, 2014). When the District shifted 1% EPMC to members; it was inadvertently not applied to uniform maintenance expenses resulting in this error. Total premium paid to CalPERS was accurate. Cost allocations were corrected in October 2014, immediately following the CalPERS Auditor's visit.
3. Agreed. The District has been requiring its maintenance employees to wear District provided uniforms since its inception in 1982 based on a verbal policy. A revision to the District Administrative Code was approved by the Board in its February 27, 2015 meeting to stipulate this policy in writing.

Thank you for providing this service.

Cordially,  
Original Signature By Suha Kilic

  
Suha Kilic  
Deputy General Manager/CFO

BOARD OF DIRECTORS

Jeffrey B. Froke, Ph.D. • Richard B. Gebhart • Leo M. Laska • Peter B. McKee • Richard D. Verbanec