Office of Audit Services

Public Agency Review

Reclamation District No.833

CalPERS ID: 2711765211
Job Number: P13-069

October 2015

California Public Employees' Retirement System
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October 15, 2015

CalPERS ID: 2711765211
Job Number: P13-069

William B. Fiedler, Board of Trustees President
Reclamation District No. 833
P.O. Box 415
Biggs, CA 95917

Dear Mr. Fiedler:

Enclosed is our final report on the results of the public agency review completed for the Reclamation District No. 833 (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 Beliz Chappuie

BELIZ CHAPPUIE, Chief
Office of Audit Services

Enclosure

cc: Board of Trustees, Reclamation District No. 833
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

RECLAMATION DISTRICT No. 833

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RESULTS IN BRIEF

The objective of our review was to determine whether the Reclamation District #833 (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 finding during the review. Details are noted in the Results section beginning on page two of this report.

- Retired annuitant's employment did not comply with all the Government Code requirements.

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 February 1, 1975 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 CalPERS Board of Administration (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 was limited to the examination of sampled employees, records, and pay periods from October 1, 2010 through September 30, 2013. The review objectives and methodology are listed in Appendix A.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: Retired annuitant's employment did not comply with all the Government Code requirements.

Condition:

A. The Agency incorrectly provided benefits to a retired annuitant. Specifically, the retired annuitant accrued 26 vacation days per calendar year and received compensation for hours that were not worked on an Agency-approved holiday in the pay period ended May 31, 2013. Pursuant to Government Code Section 21224, a retired annuitant shall not receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly payrate.

B. Additionally, the Agency did not report payrate, hours worked, and earnings for a retired annuitant in my|CalPERS to allow for monitoring of the 960-hour limit per fiscal year. Although the retired annuitant did not exceed the 960 hours in a fiscal year, the Agency did not report the hours and compensation of the retired annuitant in my|CalPERS as required.

Recommendation:

The Agency should ensure that retired annuitants are compensated pursuant to Government Code Section 21224.

The Agency should report the retired annuitant's payrate, hours worked, and earnings in my|CalPERS pursuant to Government Code Section 20121.

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: § 20120, § 20121, § 20160, § 21224

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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

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Chris Wall, Senior Manager
Rebecca Honeywell, Auditor
Christopher Lee, Auditor

APPENDIX A

OBJECTIVES

RECLAMATION DISTRICT No. 833

OBJECTIVES

The objectives of this review were limited to determine whether the Agency complied with:

- Applicable sections of Government Code (Sections 20000 et seq.), 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:
  - 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 time records
  - o Agency payroll information including Contribution Detail Transaction History reports
  - o Documents related to employee payrate, special compensation, and benefits
  - o Various other relevant documents

- ✓ 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 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.

APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The name of an individual mentioned in the Agency's response was intentionally omitted from this appendix.

BOARD OF TRUSTEES
WILLIAM B. FIEDLER
DANE ANDES
JERRY S. DAVIS

DISTRICT MANAGER
CHARLES O. NUCHOLS

SECRETARY
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P.O. BOX 1679
OROVILLE, CA 95965

RECLAMATION DISTRICT NO. 833

P.O. BOX 247
1643 W. BIGGS-GRIDLEY RD.
GRIDLEY, CA 95948
TELEPHONE (530) 846-3303

September 29, 2015

Beliz Chappuie, Chief
CalPERS Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

RE: CalPERS ID. 2711765211

Dear Ms. Chappuie:

The Board has reviewed the draft of the compliance review and does not dispute the finding. The Board concurs with CalPERS staff recommendations that our retired annuitant be compensated pursuant to Government Code Section 21224. Specifically, the District will ensure that our retired annuitant no longer receives any benefit in addition to the hourly pay rate. The Board will also ensure that our retired annuitant is enrolled into the my/CalPERS system, per the recommendation, in order to report the hourly pay rate and hours worked; however, the 960 hours per fiscal year was never breached.

Reclamation District No. 833 has had a long relationship with CalPERS. It's this Board's intent to be in full compliance with the Public Employee's Retirement Law, including the recent changes brought on by the Public Employees' Pension Reform Act (PEPRA), and the California Code of Regulations.

We look forward to working with CalPERS staff in the appropriate program areas.

Please send all relative correspondence to my home address: [redacted]. Do not send letters to the District office.

Sincerely,

RECLAMATION DISTRICT NO. 833

[redacted] Original signed by William B. Fiedler

William B. Fiedler
Board of Trustees President