

Office of Audit Services



CalPERS

Public Agency Review

Rio Vista-Montezuma Cemetery District

CalPERS ID: 7426721889
Job Number: P14-047

April 2015



California Public Employees' Retirement System
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April 24, 2015

CalPERS ID: 7426721889
Job Number: P14-047

Rosanne D'Amico, Manager/Secretary
Rio Vista-Montezuma Cemetery District
P.O. Box 385
Rio Vista, CA 94571

Dear Ms. D'Amico,

Enclosed is our final report on the results of the public agency review completed for the Rio Vista-Montezuma Cemetery 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. 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, Rio Vista-Montezuma Cemetery 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

RIO VISTA-MONTEZUMA CEMETERY 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: Payrate and Earnings.....	4
3: Contributions	5
4: Unused Sick Leave	6
Conclusion	7
Objectives	Appendix A
Agency Response.....	Appendix B

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Rio Vista-Montezuma 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 the Government Code and CCR requirements.
- The Agency did not report payrate and earnings.
- The Agency incorrectly reported contributions.
- The Agency did not report an unused sick leave balance.

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 January 1, 1967 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. Some of the employees selected were 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.

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency did not have a publicly available pay schedule that met the requirements of the Government Code and CCR. Specifically, the Agency was unable to provide any approved documents that established a base payrate for the Agency's positions; therefore, the reported payrates did not qualify as compensation earnable.

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 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; 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).

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

Recommendation:

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

The Agency should work with CalPERS Employer Account Management Division (EAMD) 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

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

2: The Agency did not report payrate and earnings.

Condition:

The Agency did not report payrate and earnings for three employees in the May 2014 pay period. Payrate is an important factor when computing a member's retirement allowance because service credit and final compensation are directly related to the payrate and earnings reported for a member.

Recommendation:

The Agency should ensure payrate and earnings are reported to CalPERS in all months worked and in accordance with approved pay schedule.

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

Criteria:

Government Codes: § 20160, § 20630, § 20636

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

3: The Agency incorrectly reported contributions.

Condition:

- A. The Agency incorrectly reported Employer Paid Member Contributions (EPMC) for its classic members in the June 2014 pay period. The Agency paid seven percent contributions on behalf of the members in accordance with a resolution on file with CalPERS. However, the Agency reported the contributions as member paid contributions, instead of reporting the contributions as EPMC.

- B. The Agency incorrectly paid the member contributions for an employee subject to PEPRA. The employee is required to pay the entire member's share of contributions which is 6.25 percent. Government Code Section 7522.30(a) requires equal sharing of normal cost between public employers and public employees. The standard shall be that employees pay at least 50 percent of normal costs and employers not pay any of the required employee contribution.

Recommendation:

The Agency should ensure it correctly pays and reports member contributions.

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

Criteria:

Government Codes: § 7522.30, § 20160, § 20691
CCR: § 569

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

4: The Agency did not report an unused sick leave balance.

Condition:

The Agency did not report the balance of unused sick leave for a retiree. Specifically, the retiree had a sick leave balance of 240 hours or 30 days that was not reported to CalPERS. 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 amount of unused sick leave credit for retirees is reported to CalPERS.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20965

RIO VISTA-MONTEZUMA 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, Senior Manager
Chris Wall, Senior Manager
Marlene Noss, Lead Auditor

APPENDIX A

OBJECTIVES

RIO VISTA-MONTEZUMA 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:
 - 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.

RIO VISTA-MONTEZUMA 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.

RIO VISTA-MONTEZUMA CEMETERY DISTRICT

APPENDIX B

AGENCY RESPONSE

RIO VISTA-MONTEZUMA CEMETERY DISTRICT
A SOLANO COUNTY SPECIAL DISTRICT
P.O. BOX 385, RIO VISTA, CA 94571
PHONE: (707) 688-0159

RICHARD K. DANA, CHAIRPERSON
JIM MONAHAN, TRUSTEE
BECKY BURCH, TRUSTEE

JEAN RUBIER, TRUSTEE
PATRICIA GATES, TRUSTEE
ROSANNE D'AMICO, SECRETARY

March 23, 2015

Ms. Young Hamilton
Cal PERS
P.O. Box 942701
Sacramento, CA 94226

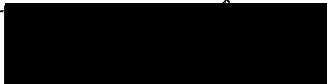
RE: CalPERS Audit

Dear Ms. Young Hamilton:

The District received the draft report on your compliance review last week. We have read the draft report and we do agree with the recommendations in the report. We will get the recommendations taken care of as soon as possible.

Thank you.

Sincerely,



Original signed by Rosanne D'Amico

Rosanne D'Amico
Manager/Secretary