

Office of Audit Services



Public Agency Review

Salinas Valley Solid Waste Authority

**Employer Code: 1897
CalPERS ID: 3659702346
Job Number: P13-025**

June 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

June 10, 2014

Employer Code: 1897
CalPERS ID: 3659702346
Job Number: P13-025

Salinas Valley Solid Waste Authority
Rose Gill, HR Organizational Development Manager
P.O. Box 2159
Salinas, CA 93902

Dear Ms. Gill:

Enclosed is our final report on the results of the public agency review completed for the Salinas Valley Solid Waste Authority (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 Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Salinas Valley Solid Waste Authority
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Division Chief, CASD, CalPERS

SALINAS VALLEY SOLID WASTE AUTHORITY

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the Salinas Valley Solid Waste Authority (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.

- Special compensation was not reported as required by CCR 571.
- Payrate and earnings were not reported correctly.
- An eligible part-time employee was not enrolled into membership.

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 2013/2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate 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, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted from September 30, 2013 through October 3, 2013. The review objectives and a summary of the procedures performed 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 by the CCR.

Condition:

- A. The Agency did not correctly report special compensation of Bilingual Pay for an employee. Specifically, the Agency's Employee Handbook contained a provision for paying Bilingual Pay that indicated the conditions for payment equal to five percent of an eligible employee's base salary. The Agency paid the employee \$90.09 in Bilingual Pay but reported \$85.73 in special compensation for the pay period ending April 14, 2013. As a result, the Agency under reported special compensation.

- B. The Agency did not correctly report special compensation, Out of Class Pay, in the period earned for an employee. Specifically, the Agency's Employee Handbook contained a provision for paying Out of Class Pay at ten percent of base salary while performing out of class duties. OAS identified an employee who worked 79 hours in an out of class position from September 19, 2011 to October 2, 2011. The Agency paid the employee \$270.82 but reported special compensation of \$274.25 for the pay period ending October 16, 2011. As a result, the Agency over reported special compensation and did not report the special compensation in the period earned.

CCR section 571 exclusively lists and defines reportable special compensation. Reportable special compensation is required to be contained in a written labor policy or agreement, available to all members in a group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, historically consistent with prior payments for the job classification, not paid exclusively in the final compensation period, not final settlement pay, and not creating an unfunded liability over and above CalPERS actuarial assumptions.

Recommendation:

The Agency should report special compensation items in accordance with its written labor policy or agreement and the CCR.

The Agency should work with CalPERS Customer Account Services Division (CASD) to determine the impact of this incorrect reporting and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

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Criteria:

Government Codes: § 20160, § 20636

CCR: § 571

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2: The Agency reported incorrect payrate and earnings.

Condition:

The Agency did not report correct payrate and earnings for an employee who received a two percent salary increase on May 20, 2013, effective January 1, 2013. The Agency reported incorrect payrates from the period of the approved salary increase through the end of our review period. In addition, the Agency did not make any retroactive salary adjustments to the employee's payrate and earnings upon the effective date of the salary increase through May 20, 2013. Payrate is an important factor in 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, earnings and retroactive salary adjustments are correct and reported in the period earned.

The Agency should work with CASD to determine the impact of this incorrect reporting and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20630, § 20636

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3: The Agency did not enroll an eligible part-time employee into membership.

Conditions:

The Agency did not enroll a part-time employee when membership eligibility was met. The employee completed 1,000 hours in the pay period ending May 27, 2012. However, the Agency did not enroll this employee into membership. Employees who work 1,000 hours within a fiscal year shall 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.

Recommendation:

The Agency should monitor the number of hours worked by part-time employees to ensure employees are enrolled when membership eligibility requirements are met.

The Agency should work with CASD to assess the impact of this membership requirement issue and make any necessary adjustments to member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20044, § 20160, § 20305

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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 Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Manager
Jodi Brunner, CGAP, Auditor
Joanna Balachandra, Auditor

APPENDIX A

OBJECTIVES

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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 covers the period of July 1, 2010 through June 30, 2013. 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 all 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.

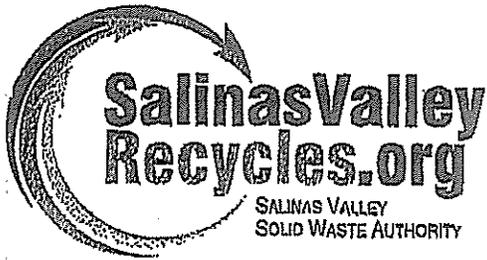
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- ✓ Reviewed CalPERS listing reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership 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.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE



Working for a future without landfills...

May 28, 2014

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

Dear Ms. Junker,

This letter is the Authority's written response in agreement with the draft report you provided dated May 9, 2014.

If you have any questions, you can contact me at (831) 775-3008.

Sincerely,

A handwritten signature in black ink, appearing to read "Rose Gill", is written over a horizontal line.

Rose Gill
HR Organizational Development Manager