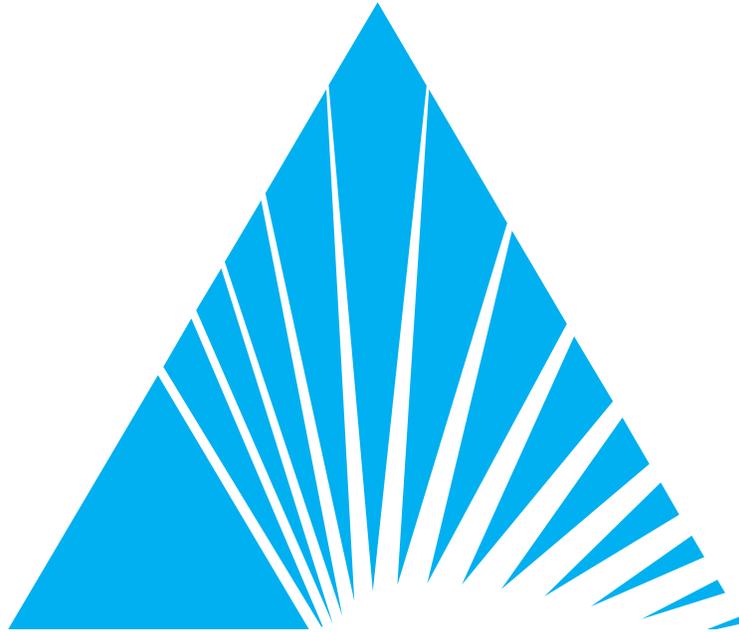


Office of Audit Services



CalPERS

Public Agency Review

San Elijo Joint Powers Authority

**Employer Code: 1675
CalPERS ID: 1650430914
Job Number: P13-076**

July 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

July 28, 2014

Employer Code: 1675
CalPERS ID: 1650430914
Job Number: P13-076

Marisa Buckles, Human Resource and Safety Administrator
San Elijo Joint Powers Authority
P.O. Box 1077
Cardiff-by-the-Sea, CA 92007-7077

Dear Ms. Buckles:

Enclosed is our final report on the results of the public agency review completed for the San Elijo Joint Powers Authority (Agency). Your written response, included as an appendix to the report, indicates agreement with the three 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, San Elijo Joint Powers Authority
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

SAN ELIJO JOINT POWERS AUTHORITY

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: Unused Sick Leave	5
Conclusion	6
Objectives	Appendix A
Agency's Written Response	Appendix B

SAN ELIJO JOINT POWERS AUTHORITY

RESULTS IN BRIEF

The primary objective of our review was to determine whether San Elijo Joint Powers 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.

- Pay schedule did not meet all of the requirements of the CCR.
- Special compensation was not reported as required by CCR Section 571.
- Unused sick leave was incorrectly reported.

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 September 23, 1995, 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 July 1, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted from February 18, 2014, through February 19, 2014. The review objectives and a summary of the procedures performed are listed in Appendix A.

SAN ELIJO JOINT POWERS AUTHORITY

OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency's pay schedule effective January 14, 2013 did not meet all the requirements of the CCR. Specifically, the pay schedule did not list the payrate for the General Manager position and referenced another document to identify the payrate. In addition, the pay schedule did not identify or show the payrate for the Intern position. 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.
- 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).

SAN ELIJO JOINT POWERS AUTHORITY

Recommendation:

The Agency should ensure its pay schedule meets all of the 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 (a), § 20636 (b)(1), § 20636 (d)

CCR: § 570.5

SAN ELIJO JOINT POWERS AUTHORITY

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

Condition:

The Agency did not report the monetary value of the rental and maintenance of uniforms for employees required to wear uniforms. Specifically, the Agency provided a Mechanical Systems Supervisor uniforms, but did not report the value of the rental and maintenance of uniforms as required by the CCR. CCR Section 571 requires the monetary value for the purchase, rental, and/or maintenance of required clothing, a statutory item, be reported as special compensation. However, the Agency did not report the value of the rental and maintenance of the uniforms as special compensation. In addition, the Agency's written labor agreements did not indicate the conditions for payment including the monetary value of the uniforms and uniform maintenance.

Recommendation:

The Agency should ensure Uniform Allowance is reported as special compensation and the conditions for payment of the uniforms are included in the written labor agreements.

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

SAN ELIJO JOINT POWERS AUTHORITY

3: The Agency reported incorrect unused sick leave balances.

Condition:

The Agency did not certify the correct number of sick leave days for two retirees. The Agency certified a balance of .039 years, equivalent to 9.75 days, of unused sick leave for a retiree. However, the correct balance was 1.23 days. Additionally, for the second retiree, the Agency certified a balance of .271 years which equated to 67.75 days of unused sick leave. However, the correct balance was 33.93 days. 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 correct amount of unused sick leave for retiring members is reported to CalPERS.

The Agency should work with CASD to assess 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, § 20965

SAN ELIJO JOINT POWERS AUTHORITY

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
Noah Schreier, Auditor

SAN ELIJO JOINT POWERS AUTHORITY

APPENDIX A

OBJECTIVES

SAN ELIJO JOINT POWERS AUTHORITY

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.

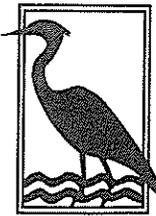
SAN ELIJO JOINT POWERS AUTHORITY

- ✓ 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.

SAN ELIJO JOINT POWERS AUTHORITY

APPENDIX B

AGENCY'S WRITTEN RESPONSE



**SAN ELIJO
JOINT POWERS AUTHORITY**

BOARD OF DIRECTORS

Teresa Barth
Thomas M. Campbell
Mark Muir
David Zito

ADMINISTRATION

Michael T. Thornton
General Manager

July 22, 2014

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

Attention: Ms. Margaret Junker, Chief

Reference: Employer Code: 1675
CalPERS ID: 1650430914
Job Number: P13-076
Draft Report dated June 23, 2014

Subject: Draft Report Response

Dear Ms. Junker:

The San Elijo Joint Powers Authority ("SEJPA") has reviewed the above referenced Draft Report as requested and has addressed each of the Audit Services Review Results below:

- 1) **The Agency's pay schedule did not meet all the requirements of the CCR.**

Condition:

The General Manager's position was not listed; however, the General Manager's position and pay rate was referenced in another document. In addition, the pay schedule did not identify or show the payrate for the Intern position.

Response:

The SEJPA has included the General Manager's position in both the FY 2014-2015 Budget Document and in the Classification and Compensation Schedules. The Classification and Compensation Schedule has been updated to include the Intern position. These documents are located on the SEJPA's website. The SEJPA will work with CASD to assess the impact of any unreasonable compensation.

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

Condition:

The Agency did not report the monetary value of the rental and maintenance of uniforms for employees required to wear uniforms.

Response:

The SEJPA will request the Board of Directors to consider including the Uniform Allowance as reportable special compensation in the future written labor agreements for, "Classic Employees" (current employees that are CalPERS members or reciprocal system members prior to 1/1/2013). The SEJPA will work with CASD to assess the impact of not reporting the monetary value of the rental and maintenance of uniforms for employees required to wear uniforms.

3) The Agency reported incorrect unused sick leave balances.

Condition:

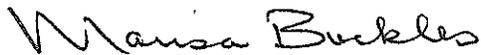
The SEJPA did not certify the correct number of sick leave days for two retirees.

Response:

This was an inadvertent error and the SEJPA will work with CASD to assess the impact of the error.

The SEJPA appreciates the opportunity to respond to the Draft Audit Report. Should you have any questions, please call me.

Sincerely,



Marisa Buckles
Human Resource and Safety Administrator

cc: Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS
Paul Kinkel, Director of Finance and Administration, SEJPA