

# **Office of Audit Services**



## **Public Agency Review**

### **Sanger Cemetery District**

**Employer Code: 908  
CalPERS ID: 2133617148  
Job Number: P13-031**

**June 2014**



California Public Employees' Retirement System  
Office of Audit Services  
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June 24, 2014

Employer Code: 908  
CalPERS ID: 2133617148  
Job Number: P13-031

Sanger Cemetery District  
Ken Sonksen, General Manager  
568 South Rainbow  
Sanger, CA 93657

Dear Mr. Sonksen:

Enclosed is our final report on the results of the public agency review completed for the Sanger 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 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 Trustees, Sanger Cemetery District  
Risk and Audit Committee Members, CalPERS  
Gina M. Ratto, Interim General Counsel, CalPERS  
Renee Ostrander, Assistant Chief, CASD, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS

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## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Sanger 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 requirements of CCR Section 570.5.
- Payrates were incorrectly reported.
- Special compensation did not meet requirements of CCR Section 571.
- Employer Paid Member Contributions were 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 October 1, 1972 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 on December 10, 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's pay schedule did not meet all requirements of the CCR.

The Agency did not have a publicly available pay schedule that met the requirements of CCR Section 570.5. Specifically, the Agency provided seven documents titled Grounds Keeper Salary Range as its pay schedule. These documents did not meet the requirements of a pay schedule. For example, the documents did not identify the position title or payrate for every employee 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 the 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.

***Recommendation:***

The Agency should ensure its pay schedule meets all 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.

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***Criteria:***

Government Codes: § 20160, § 20636(a), § 20636(b)(1), § 20636(d)  
CCR: § 570.5

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2: The Agency reported incorrect payrates for its employees.

***Condition:***

- A. The Agency reported incorrect monthly payrates for its employees. Specifically, the Agency reported employees' fiscal year 2011-2012 annual salaries as monthly payrates in fiscal year 2012-2013.
- B. The Agency also incorrectly calculated and reported monthly payrates for its employees in fiscal year 2011-2012. The Agency incorrectly converted bi-weekly salaries to monthly payrate. As a result the monthly payrates reported did not agree with the 2011-2012 pay schedule.

***Recommendation:***

The Agency should ensure reported payrates are accurate and agree with its publicly available pay schedule.

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

***Criteria:***

Government Codes: § 20160, § 20636(b)(1)  
CCR: § 570.5

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

***Condition:***

- A. The Agency did not report Holiday Pay for an employee who worked in a position that required staffing without regard for holidays in the pay period tested. Specifically, the Administrative Assistant was required to work on Memorial Day each year and was compensated at a premium rate of two times the regular rate of pay. However, the Agency did not report the Holiday Pay as required. In addition, the Agency did not address the conditions for paying accrued holiday cash-outs in its written labor policy. Holiday Pay is defined as additional compensation for employees who are normally required to work on an approved holiday because their positions require scheduled staffing without regard to holidays. If these employees are paid over and above their normal monthly payrate for approved holidays, the additional compensation is classified as Holiday Pay and reportable to CalPERS as special compensation.
- B. The Agency's written labor policy did not address the monetary value of uniforms and its conditions for payment. The Agency provides a bi-weekly uniform allowance of \$8.70 to Cemetery Ground employees required to wear uniforms. The Agency reported the uniform allowance as special compensation but did not include the conditions for payment in a written labor policy as required by CCR Section 571 (b).

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 the group or class, part of the 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 Holiday Pay as special compensation when the pay meets the conditions for reporting and ensure the conditions for payment of holiday cash-outs are included in a written labor policy or agreement.

The Agency should work with CASD and revise its uniform policy in order to ensure all provisions required by CCR Section 571 are included.

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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, § 20636(b)(1), § 20636(c)

CCR: § 571

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4: The Agency incorrectly reported Employer Paid Member Contributions.

***Condition:***

The Agency incorrectly reported Employer Paid Member Contributions (EPMC). Specifically, on July 21, 1999, the Agency's Board approved payment of the entire portion of the member contributions. The Agency paid the contributions on behalf of the members. However, the Agency incorrectly reported the contributions as Taxed Member Paid Contributions, instead of EPMC.

***Recommendation:***

The Agency should immediately discontinue reporting member contributions as Taxed Member Paid Contributions. The Agency should report member contributions as EPMC and submit the applicable resolution to CalPERS.

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 Code: § 20120, § 20121, § 20160

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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  
Diana Thomas, CIA, CIDA, Manager  
Mike Obad, Auditor

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# 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 RESPONSE**

**FIKE & BORANIAN**  
ATTORNEYS AT LAW

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A Professional Corporation  
[dfike@fikeboranianlaw.com](mailto:dfike@fikeboranianlaw.com)

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Meggin Boranian  
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June 5, 2014

**VIA E-mail & US mail**

[Michael.Obad@CalPERS.CA.GOV](mailto:Michael.Obad@CalPERS.CA.GOV)

Margaret Junker, Chief  
Attn: Michael Obad  
CalPERS- Office of Audit Services  
P.O. Box 942701  
Sacramento, California 94229-2701

Re: Employer Code: 908  
CalPERS ID: 2133617148  
Job Number: P13-031  
Draft Report Re: CalPERS Compliance Review

Dear Mr. Obad:

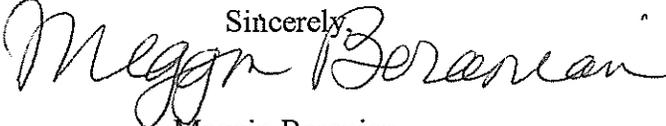
As you know, this office represents Sanger/Del Rey Cemetery District as its attorney.

The District has asked me to respond in its behalf regarding its written response to your draft report.

While the District understands the recommendations and agrees to comply and cooperate in any way it can, it is concerned as to the lack of guidance in the past from CalPERS, which seems to have resulted in the recommendations noted in the draft report. We understand that these generally focus on reporting and are readily correctable, according to your staff.

We request a timely resolution to the noted recommendations and request assistance, as promised, so that implementation can be made as close to the beginning of the new fiscal year (July 1, 2014) as possible.

Thank you for your ongoing courtesy and cooperation.

Sincerely,  
  
Meggin Boranian,  
Attorney for Sanger/Del Rey Cemetery District

MB:jp  
cc: Client (via Email)