

Office of Audit Services



Public Agency Review

Selma Cemetery District

Employer Code: 1772
CalPERS ID: 6356986541
Job Number: P13-032

September 2014



California Public Employees' Retirement System
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September 29, 2014

Employer Code: 1772
CalPERS ID: 6356986541
Job Number: P13-032

Sandi Miller, Office Manager
Selma Cemetery District
2430 Floral Ave,
Selma, CA 93662

Dear Ms. Miller:

Enclosed is our final report on the results of the public agency review completed for the Selma Cemetery District (Agency). Your written response, included as an appendix to the report, indicates disagreement with the issues noted in the report. We appreciate the additional information that you provided in your response; however, after consideration of this information, our recommendations remain as stated 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, Selma Cemetery District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the Selma 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 the Government Code and CCR.
- Payrate and earnings were incorrectly reported.
- Special compensation was incorrectly reported.
- 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, 2000 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 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 employees selected were not subject to the Public Employees' Pension Reform Act of 2013. The on-site fieldwork for this review was conducted on December 9, 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: Agency's pay schedule did not meet all the requirements of the Government Code and CCR.

Condition:

The Agency's pay schedule incorrectly listed a separate salary range for each individual in the Groundsman position. The two individuals, listed as Groundsman 1 and Groundsman 2, worked in the same position and performed the same duties. As a result, the pay schedule did not comply with the provisions of CCR Section 570.5 that requires the pay schedule to show payrate as a single amount or multiple amounts within a range for each 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).

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Recommendation:

The Agency should ensure its pay schedule shows the payrates as a single amount or multiple amounts within a range for each identified position.

The Agency should work with CalPERS Customer Account Services Division (CASD) to make all 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

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2: The Agency reported incorrect payrate and earnings.

Condition:

- A. The Agency reported incorrect payrate and earnings for an employee in the pay period ending June 30, 2013. The pay schedule and payroll register stated the employee's payrate for the June 16-30, 2013 pay period was \$1,976.00 semi-monthly or \$3,952.00 monthly. However, the Agency incorrectly reported semi-monthly earnings of \$1,937.00 and a monthly payrate of \$3,874.00.
- B. The Agency incorrectly reported payrate and earnings for employees. The Agency stated when calculating the social security modification, employee earnings were reduced to arrive at the social security modification factor; however, this reduction should not be included when reporting payrate and earnings to CalPERS. Payrates should be reported pursuant to Board approved pay schedules and earnings should be reported as earned.
- C. The Agency reported an incorrect monthly payrate of \$7,154.28 for an employee during the pay period ending July 15, 2012. Pursuant to the Board approved pay schedule, the payrate should be \$5,440.94.

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 that payrates and earnings are reported correctly and in accordance with an authorized pay schedule that meets the requirements of CCR Section 570.5.

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

Criteria:

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

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3: The Agency incorrectly reported special compensation.

Condition:

- A. The Agency reported Uniform Allowance of \$20.30 semi-monthly for Cemetery Ground employees. However, the Agency's uniform policy did not include the amount or payment conditions for the Uniform Allowance. CCR Section 571(b) requires a written labor policy or agreement to include the conditions for payment of the item of special compensation, including, but not limited to, eligibility for, and amount of, the special compensation.

- B. The Agency incorrectly reported special compensation for an employee that was not available to all miscellaneous members and was not included in a written labor policy or agreement. Specifically, the Agency approved and incorrectly reported a \$2.00 per hour pay increase for an employee who received a Special District Administrator certification. This compensation was not addressed in a written labor policy or agreement and not available to all members in the employee's group or class. The Agency also included this compensation in the employee's reported base payrate and regular earnings. Pursuant to the CCR Section 571 (b), reportable special compensation is limited to that which is contained in a written labor policy or agreement and available to all members in the group or class of employment.

- C. The Agency submitted a resolution to CalPERS to pay 50% of the member's normal contributions for their miscellaneous employees. The resolution also states the Agency will report the same percent of compensation earnable as special compensation, also known as reporting the value of Employer Paid Member Contributions (EPMC). OAS verified the Agency paid half of the normal contributions on behalf of the miscellaneous members for the pay period ending June 30, 2013; however, the Agency did not report the value of the EPMC. In addition, the Agency incorrectly identified the EPMC as member paid contributions when submitting the contributions to CalPERS.

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.

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Recommendation:

The Agency should ensure the conditions for payment are included in its uniform allowance policy.

The Agency should ensure that special compensation reported to CalPERS is available to all members in a group or class and included in a written labor policy or agreement pursuant to the CCR.

The Agency should ensure EPMC is correctly reported according to its resolution and ensure the correct resolution is on file with CalPERS.

The Agency should work with CASD to make any necessary adjustments to active member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20636 (b)(1), § 20636 (c),
§ 20636 (e)(1)
CCR: § 571

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4: The Agency did not enroll a part-time employee who met membership eligibility requirements.

Condition:

The Agency did not enroll a part-time employee who met the 1,000-hour membership eligibility requirement during fiscal year 2012-13. Specifically, the part-time employee completed 1,000 hours of service in the pay period ending May 15, 2013. Government Code Section 20305 requires employees who complete 1,000 hours within a fiscal year to 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 hours worked by part-time employees to ensure part-time 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 the member's account pursuant to the Government Code.

Criteria:

Government Codes: § 20044, § 20160, § 20305 (a)

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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 Phyllis Miller

PHYLLIS MILLER, CPA, CIA

Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Manager
Alan Feblowitz, CFE, Manager
Michael 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 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 meeting laws.

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- ✓ 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 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

SELMA CEMETERY DISTRICT
2430 Floral Ave. / P.O. Box 1383 Selma, CA 93662
(559) 896-2412 *Fax (559) 896-3349 *Email: selmacem1@yahoo.com

August 19, 2014

To: CalPERS
Margret Junker, Chief
Office of Audit Services

RE: Draft Report from compliance review

Finding 1: Agency pay scale

Disagree, but created new one.

Finding 2:

- A) Disagree: Payroll is copied and pasted forward
- B) Disagree: Payroll was not informed to process in this manner
- C) Disagree. Once again payroll is copied and pasted forward.

Finding 3: Special Compensation:

- A) Disagree: This item was not in hand book, because our attorney uses a generic handbook for his companies. Can get corrected.
- B) Disagree: This item was not in hand book, because our attorney uses a generic handbook for his companies. Can get corrected, for other employees but this employee will have a position change effective 8/28/14
- C) Disagree: When office manager took over in 2009, CalPERS was contact and the form was created by the example sent.

Best regards,



Sandi Miller
Office Manager