

Office of Audit Services



Public Agency Review

Silveyville Cemetery District

CalPERS ID: 4048411725
Job Number: P14-034

February 2015



California Public Employees' Retirement System
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February 27, 2015

CalPERS ID: 4048411725
Job Number: P14-034

John Nelson, District Manager
Silveyville Cemetery District
800 South First Street
Dixon, CA 95620

Dear Mr. Nelson:

Enclosed is our final report on the results of the public agency review completed for the Silveyville 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 Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Trustees, Silveyville Cemetery District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Diane Alsup, Interim Chief, BNSD, CalPERS
Anthony Suine, Interim Chief, CASD, 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 Silveyville 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 of the Government Code and CCR requirements.
- Special compensation was not reported as required by CCR Section 571.

Observation: The Agency's policy on unused sick leave is not clear, and as a result OAS was unable to determine whether unused sick leave balances should have been reported to CalPERS.

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 28, 1979 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. One employee selected was subject to the Public Employees' Pension Reform Act of 2013 (PEPRA). 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 of the Government Code and CCR requirements.

Condition:

The Agency provided a pay schedule that did not meet all of the requirements of Government Code Section 20636 and CCR Section 570.5. Specifically, the pay schedule did not include the position of District Manager, and the salary schedule provided only the beginning hourly wage for all other positions. All of the reported payrates exceeded the amounts listed on the pay schedule. In addition, the Agency did not provide documentation stating that three of the reported payrates were approved by the Agency's governing board.

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

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20636(b)(1). There are no exceptions included in Government Code Section 20636(b)(1).

Recommendation:

The Agency should ensure its pay schedule meets all the Government Code and CCR requirements and payrates are correctly listed within the Agency's pay schedule.

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
CCR: § 570.5

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

Condition:

- A. The Agency did not report the monetary value of uniforms and uniform maintenance, a statutory item of special compensation, for its classic employees who were provided uniforms.
- B. The Agency did not include the conditions for payment of the uniforms, including, but not limited to, eligibility for and amount of the special compensation, in a written labor policy or agreement as required by CCR Section 571.

Reportable special compensation is exclusively listed and defined in CCR Section 571. Reportable special compensation is required to be contained in a written labor policy or agreement indicating the eligibility for and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification. In addition, special compensation must not be paid exclusively in the final compensation period and not be final settlement pay.

Recommendation:

The Agency should ensure the monetary value of uniform and uniform maintenance is reported as special compensation for classic employees.

The Agency should ensure the conditions for payment of the uniforms are contained in a written labor policy or agreement as required by the CCR.

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: § 7522.34(c)(7), § 20160, § 20636
CCR: § 571

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Observation: Agency's policy related to unused sick leave was unclear.

The Agency did not report unused sick leave balances for a sampled employee. The Agency's policy is to cash out 50 percent of the accumulated unused sick leave up to a maximum of 384 hours for retiring employees. The Agency's policy is silent on whether the Agency intends for the remaining sick leave balance to be reported to CalPERS and used for service credit. OAS identified one employee who had 378 hours of unused sick leave at retirement, and the Agency cashed out 189 hours. However, the Agency did not report to CalPERS the remaining balance of 189 hours. OAS was unable to determine if the remaining balance should have been reported to CalPERS because the Agency did not adopt a policy about whether the remaining hours should be reported, and this is the only employee who retired during the review period with an unused sick leave balance. Subsequent to the onsite fieldwork, the Agency adopted an unused sick leave policy to allow 100 percent of unused sick leave to be reported to CalPERS for service credit, as long as the balance is greater than eight hours, with no provision for cash outs. The Agency should work with CalPERS Customer Account Services Division to determine if the employee's remaining unused sick leave balance after cash out should have been reported to CalPERS, so the necessary adjustments, if any, to the retired member's account pursuant to Government Code Section 20160 can be made.

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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
Chris Wall, Senior Manager
Rebecca Honeywell, 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 meetings 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 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.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE

SILVEYVILLE CEMETERY DISTRICT
CREATED 1927 AND COMPRISING
DIXON, TREMONT AND BINGHAMPTON CEMETERIES
800 SOUTH FIRST STREET DIXON, CA 95620 (707) 678-5578 FAX (707) 678-5605

TRUSTEES:

MARGARITE KITTYLE **SCOTT DE BIE**
JAMES BOUNDS **CINDY GILL**
MARCY SAVALA, CHAIRPERSON

February 2, 2015

Young Hamilton, Acting Chief
Cal Pers, Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Cal Pers ID: 4048411725
Job#: P14-034

Dear Mr. Hamilton:

This letter is to confirm that we agree with the recommendations presented in the draft report. We have already addressed the issues and are making appropriate revisions. We appreciate the process that brought these issues to our attention as we endeavor to adhere to the Cal Pers objectives.

Sincerely,



Original Signed By John Nelson

John Nelson
District Manager