

Office of Audit Services



Public Agency Review

Stinson Beach County Water District

Employer Code: 1434
CalPERS ID:4598268056
Job Number: P13-056

April 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

April 18, 2014

Employer Code: 1434
CalPERS ID: 4598268056
Job Number: P13-056

Stinson Beach County Water District
Ed Schmidt, General Manager
P.O. Box 245
Stinson Beach, CA 94970

Dear Mr. Schmidt:

Enclosed is our final report on the results of the public agency review completed for the Stinson Beach County Water 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: Honorable Board of Directors, Stinson Beach County Water District
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

STINSON BEACH COUNTY WATER DISTRICT

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: Payroll Information	4
3: Special Compensation	5
4: Tax Deferred Member Paid Contribution	7
Conclusion	8
Objectives	Appendix A
Agency's Written Response	Appendix B

STINSON BEACH COUNTY WATER DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether Stinson Beach County Water 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 the requirements of CCR section 570.5.
- Payroll information was reported incorrectly.
- Special compensation was not reported in accordance with CCR.
- Tax Deferred Member Paid Contribution was not reported in accordance with the Agency's resolution.

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 26, 1987 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 October 30, 2013 through October 31, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

STINSON BEACH COUNTY WATER DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency's pay schedule did not meet the requirements of CCR section 570.5. Specifically, the pay schedule for July 1, 2012 through June 30, 2013 did not include position titles for the Water Supervisor, Waste Water Tech & Inspector, Water Plant/Distributor Operator II, Utility Operator I, Office Specialist and Administrative Assistant. In addition, the pay schedule listed incorrect payrates and earnings for the General Manager and the Water Supervisor.

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.

Recommendation:

The Agency should ensure its pay schedule identifies the position title for every employee position and shows the correct payrate for each identified position.

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.

STINSON BEACH COUNTY WATER DISTRICT

Criteria:

Government Codes: § 20160, § 20630, § 20636 (b)(1), § 20636 (d)
CCR: § 570.5

STINSON BEACH COUNTY WATER DISTRICT

2: The Agency reported incorrect payroll information.

Condition:

- A. The Agency incorrectly reported the work week hours for the General Manager position. Specifically, the Agency incorrectly reported 40 hours per week during the period under review. However, the General Manager's employment contract identified full-time hours as 35 hours per week. As a result, the General Manager's payrate and earnings are also incorrect. Government Code section 20636 (b)(1) defines payrate as the normal monthly rate of pay or base pay of the member paid in cash for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

- B. The Agency reported incorrect payrate and earnings for the Water Supervisor in the July 2010 pay period. In one instance, the Agency's payrate did not agree with payrate and earnings listed on its pay schedule for the pay period ending July 14, 2010. In addition, the Agency incorrectly increased the Water Supervisor's salary by 2.7 percent instead of the approved two percent for fiscal year 2011-12. 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 the scheduled hours per week reported to CalPERS reflect the normal full-time work schedule for employees in the same group.

The Agency should report payrates and earnings pursuant to its publicly available pay schedules as required by the CCR section 570.5.

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

Criteria:

Government Codes: § 20160, § 20630 (b), § 20636 (b)(1), § 20636 (d),
CCR: § 570.5

STINSON BEACH COUNTY WATER DISTRICT

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

Condition:

- A. The Agency did not report special compensation of uniform allowance as required by CCR during the pay period ending June 26, 2013. The Agency's 2012-2013 Employee Benefit Programs Labor Agreement provides field employees with a uniform allowance of \$425.00 for the purchase of socks, pants, hats, and boots. Uniform allowance is a statutory item of special compensation that is required to be reported to CalPERS.
- B. The Agency's labor agreement does not address the condition for payment or the value of the uniforms provided. CCR section 571 requires a written labor policy or agreement to include the condition for payment of uniform allowance, including but not limited to, eligibility for and the amount of the uniform allowance.
- C. The Agency incorrectly reported Standby Pay as special compensation. Specifically, the Agency reported Standby Pay for employees in the positions of Water Supervisor, Wastewater Inspector, and Water Plant Operator during the review period of July 1, 2010 to June 30, 2013. Pursuant to CCR section 571, Standby Pay does not meet the definition of special compensation, and therefore is not reportable to CalPERS.

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 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 the monetary value of uniform allowance as special compensation to CalPERS and indicate the conditions for payment of the special compensation in its written labor policy or agreement.

The Agency should immediately discontinue reporting Standby Pay.

The Agency should work with CASD to determine the impact of this non-reporting and make the necessary adjustments to active and retired members' accounts pursuant to Government Code section 20160.

STINSON BEACH COUNTY WATER DISTRICT

Criteria:

Government Codes: § 20160, § 20630 (b), § 20636
CCR: § 571

STINSON BEACH COUNTY WATER DISTRICT

4: The Agency did not report Tax Deferred Member Paid Contribution (TDMPC) in accordance with its written labor agreement.

Condition:

The Agency incorrectly reported payroll information. Specifically, the Agency over-reported the employees' TDMPC. In accordance with the Agency's labor agreement, TDMPC is calculated by multiplying compensation by the approved contribution factor. The Agency incorrectly calculated and reported TDMPC for all employees by adding the 1959 Survivor Benefit contributions to compensation. In addition, for three employees, the Agency also included non-reportable special compensation when calculating TDMPC. The Agency should only include compensation earnable as defined by Government Code section 20636 when calculating and reporting TDMPC.

Recommendation:

The Agency should ensure that TDMPC is reported to CalPERS in accordance with its written labor policy and pursuant to Government Code section 20636.

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
CCR: § 571 (a)

STINSON BEACH COUNTY WATER DISTRICT

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
Alan Feblowitz, CFE, Manager
Aileen Wong, Auditor

STINSON BEACH COUNTY WATER DISTRICT

APPENDIX A

OBJECTIVES

STINSON BEACH COUNTY WATER DISTRICT

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.

STINSON BEACH COUNTY WATER DISTRICT

- ✓ 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.

STINSON BEACH COUNTY WATER DISTRICT

APPENDIX B

AGENCY'S WRITTEN RESPONSE

NOTE: Due to confidentiality, names of some individuals referred to in the Agency's written response were redacted from this Appendix.

STINSON BEACH COUNTY WATER DISTRICT

3785 Shoreline Highway • P.O. Box 245

Stinson Beach, CA 94970

Phone: (415) 868-1333 Facsimile: (415) 868-9417

E-mail: sbcwd@stinson-beach-cwd.dst.ca.us Website: <http://stinson-beach-cwd.dst.ca.us>

BOARD OF DIRECTORS

President
Barbara Boucke

Vice President
Lawrence A. Baskin

Directors
Sandra Cross
Morey Nelsen
Jim Zell

Treasurer
Judy Stemen

General Manager
Ed Schmidt

District Counsel
Patrick Miyaki

February 27, 2014

Margaret Junker, Chief
Office of Audit Services
CalPERS
P.O. Box 942701
Sacramento, CA 94229-2701

Subject: Public Agency Review for the
Stinson Beach County Water District

Dear Ms. Junker:

Board President Barbara Boucke and I want to acknowledge the courtesy and professionalism that Aileen Wong demonstrated during the entire audit process. We appreciate her patience and sensitivity during her research and presentation, draft report and follow up.

We would like to clarify several points in the Draft Report dated January 24, 2014. While my hourly pay was reported incorrectly (40 hours, rather than 35 hours per my contract), my monthly and annual salary was always computed correctly.

As per your recommendation, the District has discontinued reporting standby pay. [redacted] name should have been included on the list of employees who receive standby pay.

The District Resolution No. GB-2012-04, establishing a Benefit Program referenced in the report, lists the sum of \$425, not \$245. Since only the T-shirts are required clothing, it appears from the report that the entire \$425 is required. Could you clarify that for us?

The report indicates that we are out compliance with the California Code of Regulations. Isn't that covered in the District's Benefits Resolution? Do we need to modify our Resolution? If so, is that one of the topics we will take up with the Compensation Review Division?

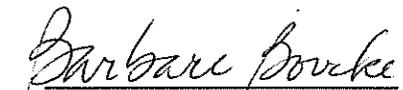
Margaret Junker, Chief

February 27, 2014

If these concerns/clarifications need to be taken up with the Compensation Review Division, then please consider the District is in agreement with the Draft Report.

Sincerely,


Ed Schmidt
General Manager


Barbara Boucke
Board President

cc: Aileen Wong, Field Auditor
Office of Audit Services