California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (916) 795-3240
(916) 795-0900 phone, (916) 795-4023 fax
www.calpers.ca.gov

March 28, 2012

Employer Code: 1654
Job Number: P10-035

Town of Truckee
Mary Fellows, Human Resources Coordinator
10183 Truckee Airport Road
Truckee, CA 96161-3306

Dear Ms. Fellows:

Enclosed is our final report on the results of the public agency review completed for the Town of Truckee. Your agency's written response, included as an appendix to the report, indicates agreement with the issue noted in the report. In accordance with our resolution policy, we have referred the issue identified in the report to the appropriate division at CalPERS. Please work with this division to address the recommendation 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: Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS

Office of Audit Services

Public Agency Review

Town of Truckee

Employer Code: 1654
Job Number: P10-035

March 2012

TOWN OF TRUCKEE

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TOWN OF TRUCKEE

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the Town of Truckee's (Town) enrolled individuals, member compensation, required retirement documentation and other documentation for individuals included in test samples. A detail of the finding is noted in the Results section beginning on page three of this report. Specifically, the following finding was noted during the review:

- Payrate was not listed on a publicly available pay schedule.

The pertinent sections of the Government Code and California Code of Regulations for this finding is described in greater detail in Appendix C.

TOWN BACKGROUND

The Town of Truckee became a charter town on September 15, 1995, and is governed under the charter and applicable state statutes. The Town operates under a council form of government and provides the following services: Public safety, highway and streets, public improvements, planning and zoning, general administrative services, solid waste, building and safety, parking, and transit. Memoranda of Understanding (MOU) and employment agreements outline all Town employees' salaries and benefits and state the terms of employment agreed upon between the Town and its employees.

The Town contracted with CalPERS effective November 20, 1994, to provide retirement benefits for local miscellaneous and safety employees. The Town's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups.

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the Town's payroll reporting and member enrollment processes as these processes relate to the Town's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from January 1, 2008, through December 31, 2010. The on-site fieldwork for this review was conducted on April 25, 2011, through April 28, 2011.
The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

TOWN OF TRUCKEE

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The Town did not list an employee's payrate on a publicly available pay schedule.

Recommendations:

The Town should ensure all employee payrates are listed in pay schedules available for public scrutiny.

The Town should work with CalPERS Customer Account Services Division (CASD) to assess the impact of this nondisclosure and determine what adjustments are needed.

Conditions:

OAS found that sampled employees' payrates were within the pay schedules provided by the town, with the exception of one employee. The employee was employed with a contract on an hourly basis until May 31, 2010, when he contracted with the Town at a monthly payrate. However, the contracted payrate was not listed in a publicly available pay schedule for either contract.

Criteria:

Government Code: § 20636(a), (b)(1), and (d)

California Code of Regulations: § 570.5

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the Town'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 finding and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared.

Respectfully submitted,

Original Signed by Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: March 2012
Staff: Matt Espenshade, CFE, Supervising Manager
Michael Dutil, CIA, Senior Manager
Diana Thomas, CIDA, Manager
Nancy Sayers
Jodi Epperson

APPENDIX A

BACKGROUND

BACKGROUND

California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. CalPERS' Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Health Account Services (HAS) section, as part of the CASD, provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

APPENDIX B

OBJECTIVES

TOWN OF TRUCKEE

OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the Town complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the Town's retirement benefits contract with CalPERS were followed.

This review covers the period of January 1, 2008, through December 31, 2010.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Town's personnel and payroll procedures, reviewed documents, and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
  - o Provisions of the Contract and contract amendments between the Town and CalPERS
  - o Correspondence files maintained at CalPERS
  - o Town Council minutes and Town Council resolutions
  - o Town written labor policies and agreements
  - o Town salary, wage and benefit agreements including applicable resolutions
  - o Town personnel records and employee hours-worked records
  - o Town payroll information including Summary Reports and PERS listings
  - o Other documents used to specify payrate, special compensation and benefits for all employees
  - o Town ordinances as necessary
  - o Various other documents as necessary

- ✓ Reviewed Town payroll records and compared the records to data reported to CalPERS to determine whether the Town correctly reported compensation and earnings to CalPERS.

Sample Size and Period: Reviewed 16 employees covering two sampled service periods, the first service period in July 2010 (7/10-3) and the second service period in December 2010 (12/10-4).

No Finding

✓ Reviewed payrates reported to CalPERS and reconciled the payrates to the Town public salary records to determine whether base payrates reported were accurate. Compared payrates to the Town's publicly available pay schedules identifying the position title, payrate and time base for each position, and verified pay schedules were duly approved by the Town's governing body in accordance with requirements of applicable public meeting laws.

Sample Size and Period: Reviewed 16 sampled employees in the second service period in December 2010 (12/10-4).

See Finding 1: A member's payrate was not listed on publicly available pay schedule.

✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly: contribution code, pay code, work schedule code, service period, and member contributions.

Sample Size and Period: Reviewed 16 sampled employees in the second service period in December 2010 (12/10-4).

No Finding

✓ Reviewed the Town's temporary and part-time employees to determine whether employees who met CalPERS membership enrollment requirements were enrolled into CalPERS in a timely manner.

Sample Size and Period: Reviewed four temporary/part-time employees in fiscal years 2008/2009 and 2009/2010.

No Finding

- ✓ Reviewed the Town's enrollment practices for retired annuitants to determine if retirees were reinstated when 960 hours were worked in a fiscal year.

  Sample Size and Period: Reviewed two retired annuitants covering the review period.

No Finding

- ✓ Reviewed the Town's enrollment practices pertaining to independent contractors to determine whether the individuals met CalPERS membership enrollment requirements.

  Sample Size and Period: Reviewed four independent contractors in review period.

No Finding

- ✓ Reviewed the Town's calculation and reporting of unused sick leave balances to ensure sick leave balances certified by the Town for retiring members were accurate.

  Sample Size and Period: Three retiring members covering the review period

No Finding

APPENDIX C

CRITERIA

TOWN OF TRUCKEE

CRITERIA

Government Code § 20636(a), defines compensation earnable by a member as:

The payrate and special compensation of the member.

Government Code § 20636(b)(1), defines payrate, in part, as follows:

"Payrate" means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Government Code § 20636(d), states:

(d) Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.

California Code of Regulations § 570.5(a), states:

For purposes of determining the amount of compensation earnable pursuant to Government Code Sections 20630, 20636, and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

(1) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
(2) Identifies the position title for every employee position;
(3) Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
(4) Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
(5) Is 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;
(6) Indicates an effective date and date of any revisions;
(7) Is retained by the employer and available for public inspection for not less than five years; and
(8) Does not reference another document in lieu of disclosing the payrate.

APPENDIX D

TOWN RESPONSE

Town Council

Joan deRyk Jones, Mayor

Barbara Green, Vice Mayor

Dr. Mark Brown D.C., Council Member
Carolyn Wallace Dee, Council Member
Richard Anderson, Council Member

TOWN OF TRUCKEE

Department Heads

Tony Lashbrook, Town Manager
J. Dennis Crabb, Town Attorney
Adam McGill, Chief of Police
John McLaughlin, Community Development Director
Kim Szczurek, Administrative Services Director
Judy Price, Town Clerk
Alex Terrazas, Assistant Town Manager
Daniel Wilkins, Public Works Director/Town Engineer

January 31, 2012

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

Re: Audit Report Jan 2008 – Dec 2010

To Whom It May Concern:

The Town of Truckee agrees with the recommendations in the audit report for the period from January 1, 2008 through December 31, 2010. The recommendation listed on page 3 of the review results has since been satisfied. Please forward the final report at your earliest convenience.

Sincerely,

Mary M Fellows

Mary Fellows
Human Resources Coordinator

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