

Office of Audit Services



Public Agency Review Winters Cemetery District

**Employer Code: 1352
CalPERS ID: 7958872542
Job Number: P13-008**

October 2013



California Public Employees' Retirement System
Office of Audit Services
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October 25, 2013

Employer Code: 1352
CalPERS ID: 7958872542
Job Number: P13-008

Winters Cemetery District
Brett Dunham, Manager
415 Cemetery District
Winters, CA 95694

Dear Mr. Dunham:

Enclosed is our final report on the results of the public agency review completed for the Winters Cemetery District (District). Your District'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 recommendations specified in our report. It was our pleasure to work with your District 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: Larry Justus, Chair Person, Winters Cemetery District
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

WINTERS CEMETERY DISTRICT

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RESULTS IN BRIEF

The California Public Employees' Retirement System (CalPERS) Office of Audit Services (OAS) reviewed the Winters Cemetery District's (District) enrolled individuals, member compensation, retirement information and other documentation for individuals included in test samples. A detail of the finding is noted in the Results section beginning on page two of this report. Specifically, the following finding was noted during the review:

- Pay schedule did not meet all requirements of California Code of Regulations section 570.5.

DISTRICT BACKGROUND

The District was formed on December 3, 1941 and is governed by a five-member Board of Trustees. Board meeting minutes outline salaries and benefits and state the terms of employment agreed upon between the District and its employees. The District contracted with CalPERS effective November 27, 1983 to provide retirement benefits for local miscellaneous employees.

All contracting public agencies, including the District, are responsible for compliance with the Public Employees' Retirement Law (PERL). The PERL requires a contracting agency to:

- Determine CalPERS membership eligibility for its employees.
- Enroll employees into CalPERS upon meeting membership eligibility criteria.
- Enroll employees in the appropriate membership category.
- Establish the payrates for its employees.
- Approve and adopt all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publish all employees' payrates in a publicly available pay schedule.
- Ensure all payrate and compensation schedules be public records available for public scrutiny.
- Identify and report compensation during the period it was earned.
- Ensure special compensation is properly identified and reported.
- Report payroll accurately.
- Notify CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensure the employment of a retired annuitant is lawful and reinstate retired annuitants that work more than 960 hours in a fiscal year.

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SCOPE

As part of the Board approved plan for fiscal year 2013/2014, the OAS reviewed the District's payroll reporting and member enrollment processes as these processes relate to the District's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from July 1, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted from July 24 through 25, 2013. The review objectives and a summary of the procedures performed are listed in Appendix B.

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: Pay schedule did not meet all requirements of California Code of Regulations section 570.5.

Recommendation:

The District should ensure its publicly available pay schedule meets all requirements of Government Code section 20636 and California Code of Regulations section 570.5.

The District should work with CalPERS Customer Account Services Division (CASD) to ensure that the District's pay schedules meet the requirements of California Code of Regulations section 570.5 and to make necessary adjustments, if any, to active and retired member accounts pursuant to Government Code section 20160.

Condition:

The District did not have a pay schedule for the sampled pay period of May 19 through June 1, 2013 that complied with the requirements of a publicly available pay schedule pursuant to Government Code section 20636 and California Code of Regulations section 570.5. Specifically:

- The District's pay schedule was not duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws.
- The payrates listed for employees were reflective of annual earnings and not the full-time payrate. The pay schedule must show the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range.

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- The District did not have the pay schedule posted or accessible during OAS' on-site field review. The pay schedule must be posted at the office of the employer or immediately accessible and available for public review from the employer during the normal business hours or posted on the employer's internet website.
- The District's pay schedule did not reflect an effective date or date of revisions. The pay schedule must indicate an effective date and date of any revisions.

The District provided a pay schedule that went into effect July 1, 2013. However, the pay schedule was outside the scope of the review period and therefore was not reviewed for conformance to regulation requirements.

Criteria:

Government Code: § 20160, § 20636 (b)(1), § 20636 (d)

California Code of Regulations: § 570.5

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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 B. OAS limited the test of transactions to employee samples selected from the District'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 finding noted within the report. The appropriate CalPERS divisions will notify the District 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

Date: October 2013
Staff: Cheryl Dietz, CPA, Assistant Division Chief
Michael Dutil, CIA, CRMA, Manager
Alan Feblowitz, CFE, Manager
Kelly Dotters-Rodriguez
Emma Shaw

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APPENDIX A

BACKGROUND

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BACKGROUND

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.

CASD manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, 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. 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.

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 employer's 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.

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APPENDIX B

OBJECTIVES

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OBJECTIVES

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

- Whether the District 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 District's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2010 through June 30, 2013.

SUMMARY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
 - Provisions of the contract and contract amendments between the District and CalPERS
 - Correspondence files maintained at CalPERS
 - District minutes
 - District written labor policies and agreements
 - District salary, wage and benefit agreements including applicable resolutions
 - District personnel records and employee hours worked records
 - District payroll information including Summary Reports and CalPERS listings
 - Other documents used to specify payrate, special compensation, and benefits for all employees
 - Various other documents as necessary
- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to District 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 District's governing body in accordance with requirements of applicable public meeting laws.
- ✓ Reviewed CalPERS listing reports to determine whether the payroll reporting elements were reported correctly.

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- ✓ Reviewed the District's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the District's enrollment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when 960 hours were worked in a fiscal year.
- ✓ Reviewed the District's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the District's affiliated entities to determine if the District shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the District or by the affiliated entity.
- ✓ Reviewed the District'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 C

DISTRICT'S WRITTEN RESPONSE

Board of Trustees

Larry W. Justus
Chairperson

John Knabke
Trustee

Gail A. Wingard
Trustee

Dennis Kilkenny
Trustee

Delores Sorenson
Trustee

Winters Cemetery District

P.O. Box 402
Winters, CA 95694
(530) 795-2475

Manager
Brett T. Dunham

September 30, 2013

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

RE: Employer code: 1352
CalPERS ID: 7958872542
Job Number: P13-008

Dear Ms. Junker:

I have been requested by Chairperson Justus to respond to the draft report of the review of The Winters Cemetery District. The full Board has not had the opportunity to read the report and does not meet until October 9, 2013. At that time the draft report will be made available to them.

We appreciate the time and courteous manner in which Ms. Shaw explained the procedure of the audit. She provided very valuable information to our business.

In response to your recommendation in the report, we do agree with your findings. As a very small business with four employees and limited funds we are doing our best to meet all the requirements necessary. We will ensure that future Pay schedules meet all the requirements of Government Code Section 20636 and the California Code of Regulations Section 570.5 and strive to be in full compliance with the Public Employees' Retirement Law by working with CalPERS Customer Account Services Division.

Sincerely,



Sheila Carbahal
Board Secretary