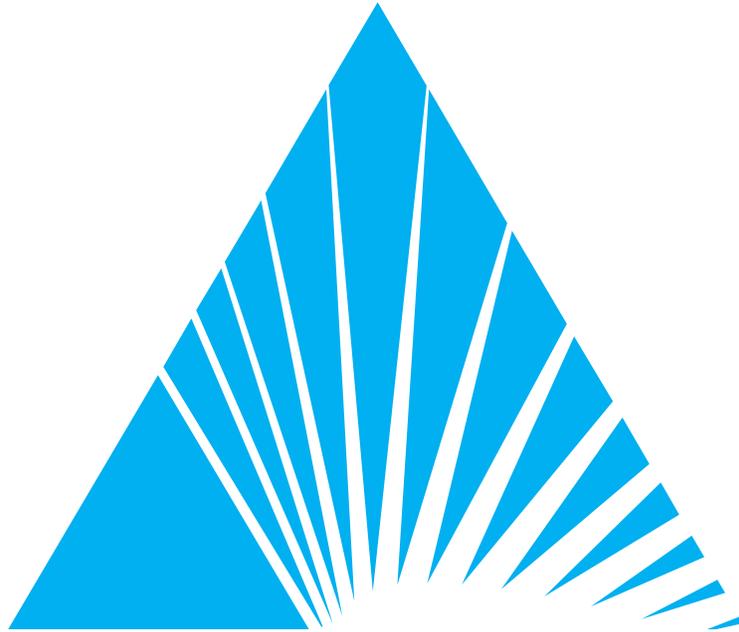


Office of Audit Services



CalPERS

Public Agency Review

Woodlake Fire District

CalPERS ID: 1537743900
Job Number: P14-024

May 2015



California Public Employees' Retirement System
Office of Audit Services
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Sacramento, CA 94229-2701
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May 29, 2015

CalPERS ID: 1537743900
Job Number: P14-024

Anthony Perez, Fire Chief
Woodlake Fire District
350 N. Valencia
Woodlake, CA 93286

Dear Mr. Perez:

Enclosed is our final report on the results of the public agency review completed for the Woodlake Fire 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. 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 Directors, Woodlake Fire District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS
Carene Carolan, Chief, MAMD, CalPERS

WOODLAKE FIRE DISTRICT

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WOODLAKE FIRE DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Woodlake Fire 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 schedules did not meet all of the Government Code and CCR requirements.
- Payrates and earnings were incorrectly reported.
- Special compensation was incorrectly reported.
- Payroll information was incorrectly reported.
- Eligible part-time employees were not enrolled into membership as required.
- Documentation was not provided for certified unused sick leave.

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 March 16, 1994 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. The employees selected were not subject to the Public Employees' Pension Reform Act of 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

WOODLAKE FIRE DISTRICT

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's pay schedule did not meet all of the requirements of the Government Code and CCR. Specifically, the Agency did not have a pay schedule that was approved and adopted by its governing body. The Agency obtained approval for payrate increases but did not have an approved publicly available pay schedule. The Agency included a pay schedule in its written labor agreement effective July 1, 2014 that was approved by its governing body. However, that pay schedule did not indicate time base or include the compensated volunteer firefighter position. As a result, the Agency did not have a pay schedule that met all of the requirements of the Government Code and CCR.

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 payrate definition and 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

WOODLAKE FIRE DISTRICT

Section 20636(b)(1). When an employer does not meet the requirements for a pay rate and publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

Recommendation:

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636

CCR: § 570.5

WOODLAKE FIRE DISTRICT

2: The Agency incorrectly reported payrate and earnings.

Condition:

The Agency incorrectly reported payrate and earnings for two employees during the month of May 2014. Specifically, the employees are compensated on a bi-weekly basis; however, the Agency reports monthly to CalPERS. OAS identified for the month of May 2014, the Agency incorrectly reported earnings because the reported payrate and earnings were based on 24 pay periods rather than 26 bi-weekly pay periods. The Agency's methodology of converting two bi-weekly pay periods into a monthly pay period resulted in payrate and earnings being under reported by two bi-weekly pay periods in a year for two employees.

Payrate and earnings are important factors 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 payrate and all earnings are correctly reported and identify the pay period in which the compensation was earned.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20630, § 20636

WOODLAKE FIRE DISTRICT

3: The Agency incorrectly reported special compensation.

Condition:

- A. The Agency incorrectly reported the monetary value of uniforms for employees required to wear uniforms. Specifically, the Agency's written labor policy provided either a \$600.00 Uniform Allowance or a credit each year with an Agency approved supplier for uniform purchases. The Agency incorrectly reported a Uniform Allowance of \$25.00 per month in fiscal year 2013-14 to CalPERS instead of the actual monetary value of the uniforms of \$50.00 as required by the CCR.

- B. The Agency incorrectly reported special compensation of Educational Incentive Pay for an employee in the pay period ending May 31, 2014. The Agency's written labor policy specifies that employees possessing an Associate Degree will receive an additional \$25.00 per month and those employees with a Fire Officer Certification will receive an additional \$25.00 per month. Although the employee possessed both the degree and the certification, the Agency incorrectly paid and reported only \$25.00 instead of \$50.00 per month as specified. Educational Incentive Pay is exclusively listed and defined within the CCR as special compensation.

Recommendation:

The Agency should ensure the correct amount of Uniform Allowance and Educational Incentive Pay are reported as special compensation.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636
CCR: § 571

WOODLAKE FIRE DISTRICT

4: The Agency reported incorrect payroll information related to work week schedules.

Condition:

The Agency incorrectly reported the scheduled hours per week for two fire employees in the pay period ending May 31, 2014. The Agency's written labor policy requires the Fire Captain and Fire Lieutenant employees to work 72 hours per week. However, the Agency incorrectly reported the employees' scheduled work week hours as 39.92. As a result, scheduled hours were under reported.

Recommendation:

The Agency should report the scheduled full-time hours per week that reflects the normal full-time work schedule for employees in the same work group.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20121, § 20160, § 20221

WOODLAKE FIRE DISTRICT

5: The Agency did not enroll eligible part-time employees into membership.

Condition:

The Agency did not enroll three part-time employees with existing CalPERS membership. The three employees worked in compensated volunteer firefighter positions during the 2012-13 and 2013-14 fiscal years. Government Code Section 20305 requires an employee, who is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract, be enrolled into membership upon hire.

Recommendation:

The Agency should ensure that part-time employees with active CalPERS membership are immediately enrolled upon hire. In addition, the Agency should implement procedures to identify newly hired employees with active CalPERS membership.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20044, § 20065, § 20160, § 20305

WOODLAKE FIRE DISTRICT

6: The Agency did not provide documentation for certified unused sick leave.

Condition:

The Agency was unable to provide documentation showing a retiree's unused sick leave balance at the time of retirement. The Agency certified 0.200 years of unused sick leave to CalPERS for additional service credit for a retiring member. Because documentation was not available, OAS was unable to determine if the Agency accurately reported the retiree's unused sick leave.

Retiring members are eligible for additional service credit based on unused sick leave accrued during the retiree's normal course of employment. The total number of unused sick leave hours at retirement is converted to days to determine the additional service credit.

Recommendation:

The Agency should maintain records to support the reported unused sick leave for retiring members.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20222.5, § 20965

WOODLAKE FIRE DISTRICT

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
Terry Heffelfinger, Staff Auditor
Nuntawan Camyre, Auditor

WOODLAKE FIRE DISTRICT

APPENDIX A

OBJECTIVES

WOODLAKE FIRE 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 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.

WOODLAKE FIRE DISTRICT

- ✓ 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.

WOODLAKE FIRE DISTRICT

APPENDIX B

AGENCY RESPONSE

WOODLAKE FIRE DISTRICT

216 East Naranjo Blvd. - Woodlake, Ca. 93286-1297 - (559) 564-2181 - Fax (559) 564-0266 - woodlakefire@sbcglobal.net

Anthony Perez, Fire Chief



May 26, 2015

CalPERS, Office of Audit Services
Attn: Nuntawan Camyre
400 Q Street LPN 2220
Sacramento, Ca. 95811

Re: Response to Draft Report

On behalf of the Woodlake Fire Protection District, there are no disagreements with the draft report as discussed previously with Nuntawan Camyre. Please proceed to the next step.

Sincerely,

A solid black rectangular box redacting the signature of J. Anthony Perez.

Original signed by J. Anthony Perez

J. Anthony Perez
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