

Office of Audit Services



Public Agency Review

Yuba Sutter Transit Authority

**CalPERS ID: 7117953176
Job Number: P14-006**

December 2015



California Public Employees' Retirement System
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December 28, 2015

CalPERS ID: 7117953176
Job Number: P14-006

Keith Martin, Transit Manager
Yuba Sutter Transit Authority
2100 B Street
Marysville, CA 95901

Dear Mr. Martin:

Enclosed is our final report on the results of the public agency review completed for the Yuba Sutter Transit Authority (Agency). Your written response, included as an appendix to the report, indicates disagreement with the issue noted in the report. We appreciate the additional information regarding Finding 1 that you provided in your response. After consideration of this information, we clarified and revised Finding 1.

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 Beliz Chappuie

BELIZ CHAPPUIE, Chief
Office of Audit Services

Enclosure

cc: Board of Directors, Yuba Sutter Transit Authority
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

YUBA SUTTER TRANSIT AUTHORITY

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results	2
1: Payrate and Earnings.....	2
Conclusion	3
Objectives	Appendix A
Agency's Written Response	Appendix B

YUBA SUTTER TRANSIT AUTHORITY

RESULTS IN BRIEF

The objective of our review was to determine whether Yuba Sutter Transit Authority (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), 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 finding during the review. Details are noted in the Results section beginning on page two of this report.

- Payrate and earnings were over reported.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, 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 December 1, 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 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 CalPERS' Board of Administration (Board) approved plan, OAS reviewed the Agency's payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from July 1, 2011 through June 30, 2014. The review objectives and methodology are listed in Appendix A.

YUBA SUTTER TRANSIT AUTHORITY

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency over reported payrate and earnings.

Condition:

The Agency included non-reportable compensation in payrate and earnings for an employee in the pay period ended June 30, 2014. Specifically, the Agency's pay schedule, effective July 1, 2013, identified the base monthly salary for the Transit Manager as \$8,261.00. The pay schedule also identified that the Transit Manager would receive an additional 10 percent premium of \$826.00 per month for serving as the Administrator of the Regional Waste Management Authority (RWMA), an affiliated entity. The Agency added the \$826.00 premium to the base monthly payrate, and reported a payrate and earnings of \$9,087.00 in the pay period ended June 30, 2014. However, the \$826.00 was not reportable to CalPERS. The premium was not part of the Transit Manager's base payrate; therefore, it was not reportable as payrate and earnings under Government Code Sections 20630 and 20636(b)(1). Also, the premium was not listed as a reportable item of special compensation under Government Code Section 20636 and CCR 571(a); therefore, it was not reportable as special compensation either.

Compensation should be reported in accordance with Government Code Section 20636, which states that payrate is the normal or base rate of pay. Government Code Sections 20636(c)(1) and (c)(6) explain that special compensation includes a payment for special skills, knowledge, abilities, work assignment, workday or hours, or other work conditions that will be specifically and exclusively defined in the CCR. CCR Sections 571(c) and (d) explain that only items listed in (a) are determined to be special compensation, and if an item is not listed it is not reportable as special compensation.

Recommendation:

The Agency should report the correct payrate and earnings to CalPERS.

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: § 20030, § 20160, § 20630, § 20636
CCR: § 571

YUBA SUTTER TRANSIT AUTHORITY

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract 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 Beliz Chappuie

BELIZ CHAPPUIE, CPA, MBA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Chris Wall, Senior Manager
Nuntawan Camyre, Auditor
Rebecca Honeywell, Auditor

YUBA SUTTER TRANSIT AUTHORITY

APPENDIX A

OBJECTIVES

YUBA SUTTER TRANSIT AUTHORITY

OBJECTIVES

The objectives of this review were limited to determine whether the Agency complied with:

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting and enrollment procedures prescribed in the Agency's retirement contract with CalPERS.

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

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.

METHODOLOGY

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 time records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Documents related to employee payrate, special compensation, and benefits
 - Various other relevant documents
- ✓ 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

YUBA SUTTER TRANSIT AUTHORITY

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.

- ✓ 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 entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide additional service credits for unused sick leave.

YUBA SUTTER TRANSIT AUTHORITY

APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The Agency provided an attachment to the response that was intentionally omitted from this appendix.



November 25, 2015

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

Re: CalPERS ID 7117953176
Job Number: P14-006
Yuba-Sutter Transit Authority Public Agency Review

Dear Ms. Chappuie:

This correspondence constitutes my written response to the above identified draft report. We disagree with the conclusion reached by your office that the additional 10 percent premium of \$826.00 per month for serving as the administrator of the Regional Waste Management Authority does not constitute "compensation earnable" under Government Code Section 20636.

First, as referenced on page 2 of the draft report, please note that the entire monthly pay rate of \$9,087.00 is included in a publicly available pay rate schedule pursuant to Government Code Section 20636(b)(1). A copy of the referenced pay schedule is attached.

Second, the monthly premium of \$826.00 readily falls under the definition of "special compensation" pursuant to Government Code Section 20636(c)(1). Under that section, special compensation "includes a payment received for special skills, knowledge, abilities, work assignment, work days or hours, or other work condition" (emphasis added). The activities undertaken for the Regional Waste Management Authority are a work assignment of the Yuba-Sutter Transit Authority. As a result, such special compensation would be included in the definition of "compensation earnable" under Government Code Section 20636(a).

Thank you for your consideration. Please contact me at (530) 634-6880 if you have any questions.

Sincerely,

Original signed by Keith Martin

Keith Martin
Transit Manager

Enclosure