

# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

### **Amador Transit**

**CalPERS ID: 1899375431**  
**Job Number: P14-038**

**May 2015**



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](http://www.calpers.ca.gov)

May 29, 2015

CalPERS ID: 1899375431  
Job Number: P14-038

Carla Meyer, General Manager  
Amador Transit  
11400 American Legion Dr.  
Jackson, CA 95642

Dear Ms. Meyer:

Enclosed is our final report on the results of the public agency review completed for Amador Transit (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, Amador Transit  
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

---

# AMADOR TRANSIT

---

## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results .....	2
1: Special Compensation .....	2
2: Earnings .....	4
3: Member Contributions .....	5
Conclusion .....	6
Objectives .....	Appendix A
Agency's Written Response .....	Appendix B

---

# AMADOR TRANSIT

---

## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Amador Transit (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.

- Special compensation was not reported as required.
- Regular earnings were incorrectly reported.
- Member contributions were incorrectly paid.

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 1, 1978 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.

---

# AMADOR TRANSIT

---

## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not report special compensation as required.

**Condition:**

- A. The Agency did not report the monetary value of uniforms and uniform maintenance, a statutory item of special compensation, for its classic employees. Specifically, the Agency provided drivers and maintenance employees with uniforms but did not report the monetary value of the uniforms and uniform maintenance as required by the Government Code and CCR. The monetary value of uniforms is a statutory item of special compensation that is required to be reported.
- B. The Agency did not include the conditions for payment of uniforms, including, but not limited to, the eligibility for, and amount of, special compensation provided to maintenance employees in a written labor policy or agreement as required by CCR Section 571.
- C. The Agency did not report compensation that qualifies as special compensation. Specifically, an employee received Transit Driver Trainer pay in the pay period ending June 30, 2014. However, the Agency did not report Transit Driver Trainer pay as special compensation. Transit Driver Trainer pay meets the definition of Training Premium as defined by the CCR Section 571. As a result, Transit Driver Trainer pay should have been reported as special compensation.

Reportable special compensation is exclusively listed and defined in CCR Section 571. Reportable special compensation is required to be contained in a written labor policy or agreement indicating the eligibility for and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification. In addition, special compensation must not be paid exclusively in the final compensation period and not be final settlement pay.

**Recommendation:**

The Agency should ensure the monetary value of uniforms and uniform maintenance are reported as special compensation for classic employees.

---

## AMADOR TRANSIT

---

Also, the Agency should ensure the conditions for payment of uniforms and uniform maintenance are contained in a written labor policy or agreement.

In addition, the Agency should report items of special compensations in accordance with 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, § 20630, § 20636

CCR: § 571

---

## AMADOR TRANSIT

---

2: The Agency incorrectly reported earnings.

**Condition:**

- A. The Agency did not report earnings in the pay periods earned. Specifically, compensation earned in the pay period of May 23, 2014 to June 20, 2014 was incorrectly reported in the period of June 1, 2014 to June 30, 2014. Government Code Section 20630(b) stipulates that when compensation is reported to CalPERS, the Agency shall identify the pay period in which the compensation was earned regardless of when paid.
- B. The Agency did not report regular earnings for hours worked by an employee who provided services as a driver up to 40 hours per week. Specifically, the Agency paid an employee at an overtime rate of pay for working five hours in pay period ending June 30, 2014. However, the five hours were within the regularly scheduled 40-hour work week. The Agency's written labor policy identifies a regular work week of 40 hours for drivers. Even though the member was paid an overtime rate, any hours worked up to 40 hours per week should be reported to CalPERS as regular earnings at the regular hourly rate of pay. As a result, regular earnings were under reported.

Payrate and earnings are important factors when 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 compensation is reported when earned.

The Agency should report earnings for the hours worked up to 40 hours per week at the normal hourly rate.

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

---

## AMADOR TRANSIT

---

**3:** The Agency incorrectly paid member contributions.

***Condition:***

The Agency incorrectly paid member contributions on behalf of an employee. The Agency paid seven percent of the member's normal contributions for the General Manager. However, the Agency did not pay seven percent of normal contributions for employees in the closest related group or class. Government Code Section 20691 specifies that if an individual is not part of a group or class, the payment shall be limited to the amount that the Board determines is payable to similarly situated members in the closest related group or class. Therefore, the Agency should not have paid member contributions on behalf of the General Manager.

***Recommendation:***

The Agency should ensure it pays member contributions in accordance with the Government Code.

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, § 20691



---

# AMADOR TRANSIT

---

## 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  
Alan Feblowitz, CFE, Senior Manager  
Diana Thomas, CIA, CIDA, Senior Manager  
Jose Martinez, Lead Auditor

---

**AMADOR TRANSIT**

---

# APPENDIX A

## OBJECTIVES

---

# AMADOR TRANSIT

---

## 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.

---

## AMADOR TRANSIT

---

- ✓ 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.

---

**AMADOR TRANSIT**

---

# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



**Serving Amador County Since 1977**

---

Ms. Young Hamilton, Acting Chief  
CalPERS  
Office of Audit Services  
P.O. Box 942071  
Sacramento, CA 94229-2701

RE: CalPERS ID: 1899375431  
Job Number: P14-038

Dear Ms. Hamilton:

We have received and reviewed our Draft Audit Report. We fully agree with the recommendations as listed in the report.

We very much appreciate your auditor, Mr. Jose Martinez coming here to Amador Transit and all the assistance he provided to us with our CalPERS reporting. Although Amador Transit has been operating since 1977, up until three (3) years ago, Amador County provided all of our accounting services. While here, Mr. Martinez was not only detailed, but, provided invaluable assistance with the many questions that we had regarding CalPERS reporting.

Please extend our thanks to him for his patience and assistance.

Sincerely,

Original signed by Carla A. Meyer

Carla A. Meyer  
General Manager

Cc: CalPERS Audit File