

Office of Audit Services



Public Agency Review Arrowbear Park County Water District

Employer Code: 1112
CalPERS ID: 2960845908
Job Number: P13-001

November 2013



California Public Employees' Retirement System
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November 25, 2013

Employer Code: 1112
CalPERS ID: 2960845908
Job Number: P13-001

Arrowbear Park County Water District
Norman Huff, General Manager
2365 Fir Drive
Arrowbear Lake, CA 92382

Dear Mr. Huff:

Enclosed is our final report on the results of the public agency review completed for Arrowbear Park County Water District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 4 that relates to untimely enrollment into membership. We appreciate the additional documentation provided with your response. Although the requested information was not provided during our review, the documentation provided in your response clarified the condition. As a result, Finding 4 was removed.

In accordance with our resolution policy, we have referred the remaining 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 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: Board of Directors, Arrowbear Park County Water District
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

ARROWBEAR PARK COUNTY WATER DISTRICT

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RESULTS IN BRIEF

The primary objective of our review was to determine whether Arrowbear Park County Water 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.

- Payrate was incorrectly coded.
- Pay schedule did not meet one of the requirements of CCR section 570.5(a).
- Special compensation for License Certificate Pay was incorrectly reported.

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 October 16, 1976 to provide retirement benefits for local miscellaneous employees and local firefighters. As part of the Board approved plan for fiscal year 2013/2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from April 1, 2010 through March 31, 2013. The on-site fieldwork for this review was conducted from July 23, 2013 through July 25, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

This review did not include an assessment as to whether the Agency is a "public agency" (as that term is used in the California Public Employees' Retirement Law), and OAS therefore 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.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The Agency reported an incorrect pay code.

Condition:

OAS reviewed reported compensation of five sampled employees for service period ending March 31, 2013. OAS determined that although the Agency reported monthly payrate and earnings, it incorrectly coded the payrate type as hourly. As a result, CalPERS identified the monthly payrates and earnings of Agency employees as hourly amounts.

When advised of the coding error during the onsite fieldwork, Agency administrative staff immediately changed the payrate type code to monthly in the my|CalPERS system.

Recommendation:

The Agency should ensure pay codes are correctly reported and work with CalPERS Customer Account Services Division (CASD) to determine the impact of the incorrect reporting, if any, and make the necessary adjustments to member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636(b)(1)

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Finding 2: The Agency's pay schedule did not meet one of the requirements of CCR section 570.5(a).

Condition:

OAS reviewed the Agency's pay schedule for fiscal year 2012/2013 and determined the Agency Board of Directors (Board) did not approve the pay schedule in accordance with requirements of applicable public meeting laws. CCR section 570.5(a) states that for purposes of determining the amount of compensation earnable, payrate shall be limited to the amount listed on a pay schedule that among other requirements, has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable meeting laws. Although the Board minutes indicate the Agency's annual budget for total salaries was approved in an open meeting, such an approval does not conform to CCR section 570.5 which requires pay schedules to be approved by the Board in accordance with applicable meeting laws.

Recommendation:

The Agency should ensure the publicly available pay schedules are reviewed, authorized and approved by the Agency's Board of Directors.

The Agency should work with CASD to ensure that the Agency's pay schedules meet the requirements of CCR section 570.5 and work with CASD to make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636(b)(1)
CCR: § 570.5

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Finding 3: The Agency incorrectly reported special compensation of License Certificate Pay.

Condition:

The Agency incorrectly reported special compensation of License Certificate Pay. The special compensation, paid to employees with water operator certifications, was not included in a written labor policy authorizing and describing the pay. Special compensation is not reportable to CalPERS unless it is contained in a written labor policy and meets all requirements listed in CCR 571 sections (a - d).

Recommendation:

The Agency should immediately discontinue reporting License Certificate Pay to CalPERS and work with CASD to determine the impact of this incorrect reporting to make the necessary adjustments to member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636(c)(1), (C)(2)
CCR: § 571(a - d)

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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 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, California Code of Regulations.

Respectfully submitted,

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

Date: November 2013

Staff: Cheryl Dietz, CPA, Assistant Division Chief

Michael Dutil, CIA, CRMA, Manager

Alan Feblowitz, CFE, Manager

Zach Barlow

APPENDIX A

OBJECTIVES

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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 covers the period of April 1, 2010 through March 31, 2013. 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 all 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 meeting laws.

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- ✓ Reviewed CalPERS listing 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 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 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.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE

Note: The Agency provided attachments to the response which were intentionally omitted from this appendix.

Arrowbear Park County Water District

DIRECTORS
Terisa Bonito
Mark Bunyea
Pat Oberlies
Sheila Wymer

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David Harich

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SECRETARY
Mary Dvorak

October 22, 2013

CalPERS

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

Subject: Response to Compliance Review

Dear Alan,

Our District received your draft report for your compliance review of the District.
Our response to the following findings are:

Finding 1: Payrate.

The incorrect payrate type code of hourly has been changed to the correct payrate type code monthly in the CalPERS system.

Finding 2: Pay Schedule.

The publicly available pay schedules were reviewed, authorized, and approved by the Districts Board of Directors on Oct. 17, 2013. (see attached Board Approved Salary Ranges)

Finding 3: Special Compensation.

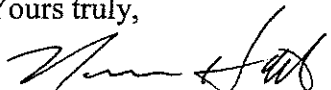
Motion to include special compensation for water treatment and distribution certification in District Written Policy 2150: Compensation, was made and passed at the regular District Board meeting held Oct. 17, 2013.

Finding 4: Membership Enrollment.

The District hired a temporary, full-time employee on Aug. 1, 2011. The review incorrectly identified the employee as a probationary employee subject to immediate enrollment. The District then enrolled this employee when this employee was hired as a permanent, full-time employee on Oct. 3, 2011. (See attached Job Posting for the temporary, full-time position that the employee was originally hired for.)

Thank you for your assistance administering the CalPERS program.

Yours truly,



Norman Huff
General Manager