

Office of Audit Services



CalPERS

Public Agency Review

City of Placerville

CalPERS ID: 3279485049
Job Number: P14-064

September 2015



California Public Employees' Retirement System
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September 30, 2015

CalPERS 3279485049
Job Number: P14-064

David Warren, Director of Finance
City of Placerville
3101 Center Street
Placerville, CA 95667

Dear Mr. Warren:

Enclosed is our final report on the results of the public agency review completed for the City of Placerville (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Findings 3B, 4B, 5, and 6B. We appreciate the additional information provided in the response. After consideration of this information, we clarified and revised Finding 3B, 4B, and 6B. In addition, Finding 5 remains as stated. After further review, we removed Finding 3C from the report. As a result Finding 3D is now Finding 3C.

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: Council Members, City of Placerville
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

CITY OF PLACERVILLE

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CITY OF PLACERVILLE

RESULTS IN BRIEF

The objective of our review was to determine whether the City of Placerville (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 findings during the review. Details are noted in the Results section beginning on page two of this report.

- Pay schedule did not meet all of the requirements of the Government Code and CCR.
- Payroll information was incorrectly reported.
- Fair Labor Standard Act (FLSA) premium pay was incorrectly reported.
- Special compensation was incorrectly reported.
- Employer Paid Member Contributions (EPMC) were incorrectly reported.
- Retroactive salary adjustments were incorrectly reported.
- Elective officer was incorrectly enrolled.
- Retired annuitant was unlawfully employed.

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 January 1, 1981 to provide retirement benefits for local miscellaneous and police safety 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 CalPERS Board of Administration (Board) approved plan for Fiscal Year 2014-15, 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 January 1, 2012 through December 31, 2014. The review objectives and methodology are listed in Appendix A.

CITY OF PLACERVILLE

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

- A. The Agency's pay schedule did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedules were not duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws. The Agency did not maintain one pay schedule that identified the position title and payrate for every employee position as required by the CCR. Multiple pay schedules were needed to identify position titles.
- B. In addition, the monthly payrates on the pay schedule were not correct for police safety employees who work an average of 42 hours per week. Police safety employees work an average of 42 hours per week; however, the monthly payrates listed in the pay schedule were based on a 40-hour work week.

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.

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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). When an employer does not meet the requirements for a 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 ensure its monthly payrates listed on the pay schedule are based on a 42-hour work week.

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

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2: The Agency incorrectly reported payroll information.

Condition:

The Agency incorrectly reported payroll information for an elected official. Specifically, we noted the following:

- A. The Agency incorrectly reported earnings for an elected official when converting bi-weekly earnings to monthly earnings. Specifically, the Agency incorrectly doubled the elected official's earnings in months with two earned periods and tripled the earnings in months with three earned periods. For example, June 2014 had two pay periods, and the Agency paid the elected official bi-weekly earnings of \$154.79, incorrectly doubled the earnings, and reported it as monthly earnings of \$309.58. Similarly, January 2014 had three pay periods, and the Agency paid the elected official bi-weekly earnings of \$154.79, incorrectly tripled the earnings, and reported it as monthly earnings of \$464.34. The Agency should have reported a monthly payrate of \$335.37 in both service periods.
- B. The Agency also incorrectly reported payrate and earnings for the same elected official in pay period ended December 19, 2014. Specifically, the Agency restored a five percent pay reduction to the elected official effective July 2014. However, the Agency continued to report the prior payrate of \$335.37. Instead, the Agency should have reported monthly payrate and earnings of \$353.00.
- C. The Agency also reported an incorrect service period for the same elected official who was paid bi-weekly but reported monthly. Specifically, the Agency used a bi-weekly service period to report monthly payrate and earnings. The Agency should have used a monthly service period to report monthly payrate and earnings.

Payrate, earnings, and service periods are important factors in computing a member's retirement allowance because the service credit and final compensation are directly related to these factors.

Recommendation:

The Agency should ensure that payrate, earnings, and service periods are correctly reported.

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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

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3: The Agency incorrectly reported special compensation, earnings, and work week schedule.

Condition:

- A. The Agency incorrectly reported regular earnings as special compensation for police safety employees who work an average of 42 hours per week. Specifically, the Agency reported earnings based on an average of 40 hours per week in pay period ended December 5, 2014. Regular earnings for the remaining two hours were reported as special compensation of FLSA. The Agency should have reported regular earnings based on an average of 42 hours per week. As a result, the Agency under reported regular earnings and over reported special compensation.
- B. The Agency incorrectly reported special compensation for police safety employees who work an 84 hour bi-weekly work schedule. However, the Agency states it pays sworn officers who work an 84 hour bi-weekly schedule a five percent adjustment to the special compensation type due to the additional four hours worked. However, the Agency's Memorandum of Understanding (MOU) established the condition for payment as a flat monthly rate for several items of special compensation. For example, the MOU specified that Peace Officer Standard Training Certificate Pay as \$525.00 per month and did not distinguish between employees required to work 80 or 84 hours bi-weekly. Therefore, the special compensation reported to CalPERS should not exceed \$525.00 per month regardless of how many hours the employees are scheduled to work. However, the Agency's practice is to modify the amount listed in the MOU to account for an 84-hour bi-weekly work schedule. As a result, the Agency overstated special compensation for employees working 84 hours bi-weekly because it did not limit the compensation to the amounts authorized in the MOU.
- C. The Agency incorrectly reported a 40-hour work week schedule for police safety employees. Police safety employees work an average of 42 hours per week. As a result, the Agency under reported the required average work week hours for police safety employees.

Recommendation:

The Agency should ensure that special compensation, earnings, and work week schedule are correctly reported.

The Agency should not report FLSA premium pay unless it meets all of the requirements of Government Code Section 20636 and CCR Section 571.

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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: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: § 571

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4: Special compensation was incorrectly reported.
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Condition:

- A. The Agency did not report the monetary value for the purchase, rental and/or maintenance of uniforms for miscellaneous employees who were required to wear uniforms. Specifically, the Agency requires classic Maintenance Workers and Water Reclamation Facility employees to wear uniforms. However, the Agency did not report the monetary value of uniforms and the maintenance of uniforms, a statutory item of special compensation. Government Code and CCR require compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing be reported as special compensation for classic employees.
- B. The Agency's written labor policy containing the provision for uniforms did not meet all of the requirements of CCR 571(b)(1)(B). Specifically, it did not indicate the conditions for payment of the uniforms. CCR requires that the written labor policy or agreement contain the conditions for payment of the item of special compensation, including, but not limited to, eligibility for, and amount of, the special compensation.
- C. The Agency incorrectly reported Holiday Pay as a lump sum amount rather than as earned. The Agency reported Holiday Pay for sworn employees, who worked in positions that required scheduled staffing without regard to holidays in the pay period ended December 5, 2014. Government Code Section 20636(c)(3) requires agencies to identify the pay period(s) in which special compensation is earned.
- D. The Agency incorrectly reported Longevity Pay as special compensation for the Police Chief. Specifically, the employment agreement for the Police Chief effective September 3, 2013 stated that the employee would receive tenure based on 10 years of service, and the tenure will be used to calculate Longevity Pay. The Agency provided a letter dated April 16, 2015 stating that the Chief of Police would receive the same employee benefits as those negotiated by the Placerville's Police Officer Association. The MOU stated that employees would receive Longevity Pay for years of service with the Agency as follows: Employees would receive 2.5 percent of base pay from 10-15 years, 5 percent from 15-20 years, and 7.5 percent for 20 or more years. However, earning Longevity Pay for work performed at another

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Agency was only available to the Police Chief and no one else. Government Code Section 20636 states that special compensation shall be limited to that which the Board determines is received by similarly situated members in the closest related group or class. Therefore, special compensation for Longevity Pay derived from work performed at another agency should not have been reported.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility 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.

Recommendation:

The Agency should ensure the monetary value for the purchase of uniforms and uniform maintenance is reported as special compensation for classic employees and the conditions for payment of the uniforms are contained in a written labor policy or agreement.

The Agency should ensure all items of special compensation are reported in the pay period earned.

The Agency should ensure all items reported as special compensation meet the definition of special compensation and are contained in a written labor policy or agreement.

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

Criteria:

Government Codes: § 20160, § 20630, § 20636
CCR: § 571

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5: EPMC was incorrectly paid and reported.

Condition:

Although statutorily allowed, the Agency incorrectly paid and reported EPMC for elected officials. Specifically, the Agency's EPMC resolutions state that the Agency would pay two percent of the member contributions as EPMC for all miscellaneous members and the remaining six percent is paid by the employee. However, the Agency incorrectly paid five percent of the member contributions as EPMC for elected officials rather than two percent as stipulated in the EPMC resolution. The Agency did not have a resolution or any other form of a written labor agreement that stated the Agency would pay a different amount of EPMC for elected officials.

Recommendation:

The Agency should ensure EPMC is correctly paid and reported to CalPERS.

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: § 20120, § 20121, § 20160, § 20691
CCR: § 569

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6: Retroactive salary adjustments were incorrectly reported.

Condition:

- A. The Agency incorrectly reported retroactive salary adjustments. Specifically, the Agency reported a retroactive salary increase of \$1,233.96 to CalPERS in bi-weekly amounts of \$102.83 in each earned period from February 19, 2014 through August 1, 2014. However, the Agency incorrectly included special compensation in the retroactive salary adjustment. The Agency should have reported a retroactive salary increase of \$97.20 and a retroactive special compensation adjustment of \$5.63 in each earned period from February 19, 2014 through August 1, 2014. For retroactive pay increases, the Agency should provide the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.
- B. The Agency incorrectly used items of special compensation including Shift Differential and FLSA premium pay when calculating the retroactive special compensation adjustment for Education Incentive. Specifically, the Agency reported a retroactive special compensation adjustment of \$1,180.95 and reported it to CalPERS in bi-weekly amounts of \$196.83 in each earned period from February 19, 2014 through August 1, 2014. However, the Agency should have reported \$400.00 per month Educational Incentive in accordance with their MOU, which calculates to \$184.62 per pay period. As a result, the Agency over reported the retroactive special compensation adjustment by \$12.21.

Recommendation:

The Agency should ensure that retroactive adjustments to payrate and earnings are reported as retroactive salary adjustments and include the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

The Agency should ensure it correctly calculates and reports retroactive special compensation adjustments.

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.

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Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20630, § 20636

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7: The Agency incorrectly enrolled a City Council member.

Condition:

The Agency incorrectly enrolled a City Council member as a regular member. The Agency did not have the City Council member complete the Optional Membership Form, AESD-59, prior to enrollment in membership. Upon electing to become a member, an elective officer should be enrolled as an optional member. Government Code Section 20322 states that an elective officer is excluded from membership unless the officer files with the Board an election in writing to become a member. An elective officer includes persons elected to a City Council or County Board of Supervisors.

Recommendation:

The Agency should enroll City Council members, who elect and file the appropriate membership election in writing, as optional members.

The Agency should work EAMD to make any necessary adjustment to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20322

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8: The Agency unlawfully employed a retired annuitant.

Condition:

The Agency unlawfully employed a retired annuitant in Fiscal Year 2013-14. Specifically, the employee was classified as the Building Inspector II with a payrate of \$30.00 per hour or \$5,200.00 per month. However, the monthly payrate of \$5,200.00 exceeded the maximum monthly payrate for the Building Inspector II position listed on the pay schedule, which was \$4,702.00. Pursuant to Government Code Section 21224, the compensation for the appointment shall not exceed the maximum monthly base salary paid to other employees performing comparable duties as listed on a publicly available pay schedule.

Government Code Section 21220 addresses the conditions and consequences of unlawful employment of a person who has been retired under this system. The Government Code states that any retired member employed in violation of this article shall reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law, pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment plus interest thereon and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

The Government Code also states that any public employer that employs a retired member in violation of this article shall pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period or periods of time that the member is employed in violation of this article, plus interest thereon and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

Recommendation:

The Agency should ensure that compensation paid to retired annuitants does not exceed the compensation limits listed in Government Code Section 21224.

OAS recommends the Agency work with CalPERS Benefit Services Division (BNSD) to determine the appropriate course of action.

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Criteria:

Government Codes: § 20160, § 21202, § 21220, § 21224

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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 CCR.

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, Lead Auditor
Marlene Noss, Lead Auditor

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APPENDIX A

OBJECTIVES

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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."

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 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.

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- ✓ 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 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 for additional service credits for unused sick leave.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE



City of Placerville
Finance Department
3101 Center Street
Placerville, CA 95667
530.642.5223

September 21, 2015

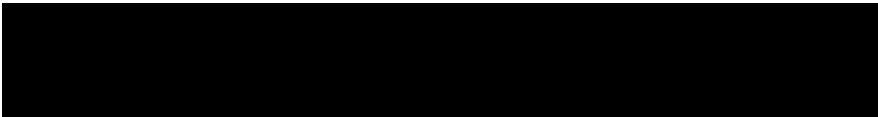
California Public Employees' Retirement System
Office of Audit Services
Attn: Young Hamilton, Acting Chief
P.O. Box 942701
Sacramento, CA 94229-2701

Re: City's Response to Draft Public Agency Review Report

Dear Ms. Hamilton:

This is a response to your letter and the draft Public Agency Review Report dated July 10, 2015 that was received by the City on July 16, 2015 and the revised Conditions 3.A and 3.B received from Marlene Noss on September 8, 2015. We are prepared to work collaboratively with the CalPERS Employer Account Management Division in addressing the conditions outlined in the Report. Please let me know if you have any questions or concerns regarding the City's response. You can reach me by phone at 530.642.5556 or by e-mail at dwarren@cityofplacerville.org. Thank you.

Sincerely,



Original signed by Dave Warren

Dave Warren
Director of Finance

cc: Cleve Morris, City Manager
John Driscoll, City Attorney
Dorothy Evans, Accountant

Audit Finding No. 1: The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Agency's Response:

The City currently has two salary schedules. One schedule is for temporary, part-time positions within the Parks Division and Recreation Division, which was approved by the City Council on February 11, 2014 (City Resolution No. 8166). The second schedule is primarily for Citywide regular full-time positions. The salary amounts are derived from City Council approved documents such as MOUs and resolutions of salary and benefits provisions. The City is in the process of incorporating both salary schedules into one document which will be recommended for adoption by the City Council in October 2015. The new schedule will also include any positions that were not reported on the two old schedules.

The City's sworn positions, such as the Police Officer and Police Sergeant, can be assigned either an 80 or an 84 hours bi-weekly work schedule. The salary schedule for regular, full-time positions includes salaries for both the Police Officer and Police Sergeant positions based on an 80 hour bi-weekly work schedule. The City will add the salaries for both the Police Officer and Police Sergeant positions based on an 84 hour bi-weekly work schedule to the new salary schedule.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly maintaining its salary schedules to ensure compliance with Government Code § 20160 and §20636 and CCR § 570.5.

Audit Finding No. 2: The Agency incorrectly reported payroll information.

Agency's Response:

Condition 2.A:

Beginning February 28, 2015, the City began reporting the elected official pay correctly on a bi-weekly basis prospectively.

Condition 2.B:

Beginning February 28, 2015, the City began reporting the \$353.00 monthly elected official pay rate correctly prospectively.

Condition 2.C:

Beginning February 28, 2015, the City began reporting the correct service period for elected official pay rates and earnings prospectively.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly reporting all pay rates, earnings, and service periods to ensure compliance with Government Code § 20160, §20630, and § 20636.

Audit Finding No. 3: The Agency incorrectly reported FLSA, earnings, pay rates, and work week schedule.

Agency's Response:

Condition 3.A:

The City began reporting the entire 84 hour bi-weekly salary for affected sworn officers as regular earnings beginning in August 2015.

Condition 3.B:

The City believes this finding is based upon a false assumption. All special compensation amounts outlined in the Placerville Police Officers Association (PPOA) MOU are based on an 80 hour bi-weekly work schedule. For those sworn officers who work an 84 hour bi-weekly schedule, the City pays a 5.00% adjustment to the special compensation pay types due to the additional 4 work hours. The City believes it is reporting the special compensations items correctly. The City is committed to further clarifying this practice in future MOUs with the PPOA.

Condition 3.C:

The City began reporting monthly pay rates based on the 84 hour bi-weekly salary for affected sworn employees beginning in August 2015.

Condition 3.D:

The City began reporting the 84 hour bi-weekly workweek for affected sworn employees beginning in August 2015.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly reporting pay rates, earnings, FLSA premium pay, and work week hours to ensure compliance with Government Code §20120, § 20121, § 20160, §20630, § 20636, and CCR § 571.

Audit Finding No. 4: Special compensation was incorrectly reported.

Agency's Response:

Condition 4.A:

The City plans on reporting all uniform allowances and uniform services as special compensation for maintenance workers and Water Reclamation Facility employees in the near future. These pay types are subject to collective bargaining, and the City will need some time to negotiate and implement these changes. The City will begin labor negotiations with the affected employee units in September 2015.

Condition 4.B:

The City will prepare a uniform policy that complies with CCR 571(b)(1)(B). This policy is subject to labor negotiations and will take some time to negotiate and implement. The City will begin labor negotiations with the affected employee units in September 2015. Contrary to the comment made in this condition, the City Council did approve the MOUs and addendums for the PPOA that encompass the audit period.

Condition 4.C:

The City began reporting holiday pay by pay period beginning in July 2015.

Condition 4.D:

The City will discontinue reporting the Chief of Police's longevity pay as special compensation until such time when he is eligible to receive longevity pay according to the longevity table that is available to other City employees. The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly reporting special compensation to ensure compliance with Government Code §20160, §20636 and CCR §571.

Audit Finding No. 5: EPMC was incorrectly paid and reported.

Agency's Response:

The City does not agree with this finding because the reported condition misinterprets the intended action of Resolution No. 8211, which was adopted by the City Council on June 24, 2014. The said Resolution was intended to change the EPMC rate for all non-elected "classic" miscellaneous members only. All non-elected "classic" miscellaneous members received a 5.00% salary adjustment in exchange for a 6.00% of payroll reduction in EPMC. The City Council did not receive the 5.00% salary adjustment, and the EPMC rate for elected officials has been 5.00% since the late 1980s. However, the City is prepared to comply with the audit recommendation.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly paying and reporting EPMC to ensure compliance with Government Code §20120, §20121, §20160, §20696, and CCR §569.

Audit Finding No. 6: Retroactive salary adjustments were incorrectly reported.

Agency's Response:

Condition 6.A:

In the future, the City will report retroactive salary and retroactive special compensation separately by pay period.

Condition 6.B:

The City disagrees with this finding because the education incentive pay stipend stated in the PPOA MOU is based on an 80 hour bi-weekly work schedule. The stipend is adjusted by 5.00% due to the employee's 84 hour bi-weekly work schedule.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly reporting retroactive salary adjustments to ensure compliance with Government Code §20120, §20121, §20160, §20630, and §20636.

Audit Finding No. 7: The agency incorrectly enrolled a City Council Member.

Agency's Response:

City staff has submitted the Optional Membership Form AESD-59 to the affected City Council Members who elected to enroll in the CalPERS retirement plan.

The City is ready to work collaboratively with the EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code §20160. The City is committed to properly enrolling City Council Members to ensure compliance with Government Code §20160 and §20322.

Audit Finding No. 8: The Agency unlawfully employed a retired annuitant.

Agency's Response:

Although the retired annuitant was paid an hourly rate of \$30.00, he was paid less per month on average than the \$4,702.00 Building Inspector II monthly salary that was in place during the same period of time. The City accomplished this by ensuring the retired annuitant's work hours did not exceed the statutory limit of 960 hours each fiscal year. The hourly rate for the Building Inspector II

position is currently \$29.48. The City began paying the retired annuitant at the \$29.48 hourly rate beginning in July 4, 2015.

The City is ready to work collaboratively with the BNSD to determine the appropriate course of action. The City is committed to properly compensating retired annuitants to ensure compliance with Government Code §20160, §21202, §21220, and §21224.