

Office of Audit Services



CalPERS

Public Agency Review

City of Rohnert Park

CalPERS ID: 1238309969
Job Number: P14-009

February 2015



California Public Employees' Retirement System
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February 27, 2015

CalPERS ID: 1238309969
Job Number: P14-009

Victoria Perrault, Human Resources Director
City of Rohnert Park
P.O. Box 1489
Rohnert Park, CA 94927

Dear Ms. Perrault:

Enclosed is our final report on the results of the public agency review completed for the City of Rohnert Park (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 3B and Finding 5. We appreciate the additional information regarding Finding 3B and Finding 5 that you provided in your response. However, after consideration of this information our recommendations remain as stated 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, and 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: Council Members, City of Rohnert Park
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Diane Alsup, Interim Chief, BNSD, CalPERS
Anthony Suine, Interim Chief, CASD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

CITY OF ROHNERT PARK

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the City of Rohnert Park (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 schedule did not meet all of the requirements of the Government Code and CCR.
- Special compensation was not reported as required.
- Payrate and earnings were incorrectly reported.
- A retroactive salary adjustment was incorrectly reported.
- Incorrect payroll information was reported.
- Retired annuitants' information was not reported as required.

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 July 1, 1965 to provide retirement benefits for local miscellaneous employees and 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 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. One of the employees selected was 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.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

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

Condition:

The Agency's pay schedule effective July 1, 2013 did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedule was not duly approved and adopted by the Agency's governing body. The Agency's governing body approved the Agency positions and payrates for all positions; however, the Agency's governing body did not approve the actual pay schedule as required by the CCR. In addition, the Agency did not have one pay schedule that identified the position title and payrate for every employee position. The Agency's pay schedule omitted the payrates and position titles for the Human Resources Director and Executive Assistant to the City Manager. As a result, the compensation paid to certain employees and reported to CalPERS did not fall within the ranges listed on the Agency's pay schedule.

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 pay schedule requirements cannot be used to calculate retirement benefits because the amounts

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do not meet the definition of payrate under Government Code Section 20636(b)(1). There are no exceptions included in Government Code Section 20636(b)(1).

Recommendation:

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

The Agency should work with CalPERS Customer Account Services Division (CASD) to make any adjustments, if necessary, to 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 did not report special compensation as required.

Condition:

- A. The Agency incorrectly reported Holiday Pay as a lump sum instead of when earned. Specifically, Safety employees worked in positions that required scheduled staffing without regard to holidays. The three employees cashed-out accumulated Holiday Pay in the pay period ending May 31, 2014. The Agency reported the Holiday Pay for these employees in May 2014 instead of reporting the Holiday Pay in the period earned. Pursuant to Government Code Section 20636(c)(3), the Agency shall identify the pay period(s) in which compensation is earned.
- B. The Agency did not report the monetary value of uniforms provided to safety officers in fiscal year 2013-14. The value of uniforms provided for employees normally required to wear uniforms is a statutory item that must be reported to CalPERS as special compensation.
- C. The Agency's labor policy for Fire Safety employees did not include uniform provisions that indicated the conditions for payment, including, but not limited to, eligibility for, and amount of, the special compensation as required by CCR Section 571.

Recommendation:

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

The Agency should report the monetary value of uniforms provided as special compensation. In addition, the conditions for payment of uniforms must be included in a written labor policy or agreement.

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

Criteria:

Government Codes: § 20160, § 20636

CCR: § 571

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3: The Agency incorrectly reported payrate and earnings.

Condition:

- A. The Agency incorrectly reported payrate and earnings for an employee in pay period ending June 28, 2014. Specifically, the Agency reported a monthly payrate of \$15,700 for the employee; however, the maximum payrate listed in the pay schedule for the position was \$13,750.53 per month. The Agency provided a resolution approved by its governing body for the \$15,750.00 monthly payrate. However, payrate is the amount listed on the Agency's pay schedule pursuant to CCR 570.5. Payrate is an important factor in computing a member's retirement allowance because the service credit and final compensation are directly related to the payrate and earnings.

- B. The Agency incorrectly reported regular earnings as special compensation for Fire safety employees who work an average of 56 hours per week. Specifically, the Agency incorrectly reported earnings based on an average of 53 hours per week in pay period ending June 28, 2014. The remaining hours were reported as Fair Labor Standards Act (FLSA) premium pay. As a result, the Agency under reported regular earnings and over reported special compensation.

Recommendation:

The Agency should ensure that payrates and earnings are correctly reported.

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

Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: § 570.5

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4: A retroactive salary adjustment was incorrectly reported.

Condition:

The Agency incorrectly reported a retroactive salary adjustment. Specifically, an employee received a pay increase on February 28, 2013 that was retroactive to January 16, 2013. The Agency incorrectly reported the retroactive adjustment in the amount of \$1,321.07 as special compensation in pay period ending February 23, 2013. The Agency should have reported the \$1,321.07 retroactive salary adjustment in the pay period it was earned.

Recommendation:

The Agency should ensure that retroactive salary adjustments are reported in the pay period earned with the corresponding payrate and correct transaction type.

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

Criteria:

Government Codes: § 20160, §20630, § 20636

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5: The Agency reported incorrect payroll information.

Condition:

The Agency incorrectly reported 53.08 work week hours for Fire Safety employees. Fire Safety employees work an average of 56 hours per week. As a result the Agency under reported the required average work week hours for Fire Safety employees.

Recommendation:

The Agency should ensure the work week schedule is correctly reported to CalPERS.

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

Criteria:

Government Codes: § 20120, § 20121, §20122, § 20160

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6: The Agency did not report retired annuitants' information to CalPERS.

Condition:

The Agency did not report the payrates, hours worked and earnings paid for retired annuitants in my|CalPERS to allow monitoring of the 960-hour limit per fiscal year. The retired annuitants reviewed did not work more than the 960 hours in the fiscal year 2013-14.

Recommendation:

The Agency should report the retired annuitant's payrates, hours worked and earnings in my|CalPERS.

Criteria:

Government Codes: § 20120, § 20121, § 20160

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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. 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
Sean Gerardo, Auditor
Benjamin Banahene, Auditor

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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.

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.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.

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- ✓ 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.

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APPENDIX B

AGENCY'S WITTEN RESPONSE

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



City Council

Amy O. Ahanotu
Mayor

Gina Belforte
Vice Mayor

Joseph T. Callinan
Jake Mackenzie
Pam Stafford
Councilmembers

Darrin Jenkins
City Manager

Don Schwartz
Assistant City Manager

Michelle Marchetta Kenyon
City Attorney

Alexandra M. Barnhill
Assistant City Attorney

JoAnne Buergler
City Clerk

Betsy Howze
Finance Director

Brian Masterson
Director of Public Safety

John McArthur
*Director of Public Works and
Community Services*

Victoria Perrault
Human Resources Director

Marilyn Ponton
Director of Development Services

February 12, 2015

California Public Employee's Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Sent via fax: (916) 795-7836
Attn: Young Hamilton, Acting Chief

Re: CalPERS ID: 1238309969
Job Number: P14-009

Dear Mr/Ms. Hamilton:

We are in receipt of the draft report of your compliance review regarding the City of Rohnert Park's contract with the California Public Employees' Retirement System.

The following is our response to the findings:

Item 1 – We agree and have taken corrective action;

Item 2A – We agree and will report correctly prospectively;

Item 2B – We agree and will report correctly prospectively and for fiscal year 13/14;

Item 2C – We agree and will amend the Rohnert Park Public Safety Officer Association Memorandum of Agreement during our next labor negotiations;

Item 3A – We agree and have taken corrective action;

Item 3B – We disagree, please see attachment for an explanation of how we pay our Public Safety employees. Please note that a historical review clearly shows the employee received/s their full service credit based on our method of payment for hours worked;

Item 4A – We agree and will take corrective action;

Item 5 – We disagree. Please see response to Item 3B and attachment;

Item 6 – We agree, the retired annuitants' basic information was entered into myCalPERS, however the pay rates, hours worked and earnings paid were not. We will take corrective action.

Please do not hesitate to contact me with any questions or comments. We look forward to working with CalPERS to ensure we are in compliance.

Respectfully,



Original Signed By Victoria Perrault

Victoria Perrault, SPHR
Human Resources Director
City of Rohnert Park
707.588.2221
vperrault@rpcity.org