

# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

## **Coastside County Water District**

**CalPERS ID: 5381548204  
Job Number: P14-058**

**October 2015**



California Public Employees' Retirement System  
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October 30, 2015

CalPERS ID: 5381548204  
Job Number: P14-058

David Dickson, General Manager  
Coastside County Water District  
766 Main Street  
Half Moon Bay, CA 94019

Dear Mr. Dickson:

Enclosed is our final report on the results of the public agency review completed for the Coastside County Water District (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 Beliz Chappuie

BELIZ CHAPPUIE, Chief  
Office of Audit Services

Enclosure

cc: Board of Directors, Coastside County Water District  
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

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## RESULTS IN BRIEF

The objective of our review was to determine whether Coastside County Water District (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.

- Special compensation was incorrectly reported.
- Contributions were incorrectly reported.
- Retired Annuitant's employment did not comply with all Government Code requirements.
- Member reciprocal self-certification was not maintained.

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 September 1, 1963 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 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.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency did not report special compensation in accordance with the Government Code and CCR requirements.

**Condition:**

- A. The Agency did not report the monetary value of uniforms, a statutory item of special compensation, for its classic employees. Specifically, the Agency provides uniforms to all field personnel that are required to wear the uniforms at all times. However, the Agency did not report the monetary value of the uniforms provided as special compensation. Government Code Section 20636 and CCR Section 571 require compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing be reported as special compensation.
- 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, the policy did not indicate the amount, or the monetary value, of uniforms. CCR requires that the written labor policy or agreement must 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 Administrative Secretary Premium for an employee in the amount of \$221.00 in the bi-weekly pay period ended December 26, 2014. Although Administrative Secretary Premium meets the definition as listed in CCR Section 571(a), the special compensation is not included in a written labor agreement or policy as required. CCR Section 571(b) requires that special compensation listed in Section 571(a) conform with all the standards listed in CCR Section 571(b). Therefore, Administrative Secretary Premium is not reportable.

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.

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***Recommendation:***

The Agency should ensure the monetary value of uniforms is reported as special compensation for classic employees.

The Agency should ensure the conditions for payment of the uniforms are contained in a written labor policy or agreement as required by the CCR.

The Agency should ensure reported special compensation is approved in a written labor policy and meets the definition of special compensation as defined in CCR Section 571.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make any adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

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

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2: The Agency incorrectly reported contributions.

***Condition:***

Although the Agency remitted the appropriate amount of contributions to CalPERS, employees who are classic members underpaid their portion of the contributions and the Agency overpaid its portion of the contributions. Specifically, the Agency agreed to split the member contributions on all compensation earnable with employees pursuant to Resolution 2011-11; however, the Agency did not split the contributions paid on the value of EPMC. Instead the Agency paid the full amount of the contributions.

***Recommendation:***

The Agency should ensure it correctly pays member contributions in accordance with the Government Code and CCR requirements listed below.

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

***Criteria:***

Government Codes: § 20160, § 20636, § 20691

CCR: § 569, § 571

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**3:** A retired annuitant's employment did not comply with all Government Code requirements.

***Condition:***

- A. The Agency compensated a retired annuitant at a payrate which exceeded the maximum amount listed on the pay schedule for an employee performing comparable duties. Specifically, the retired annuitant's initial payrate was \$45.00 per hour. In March 2007, the retired annuitant negotiated a payrate increase to \$60.00 per hour. According to the Office Manager, the duties performed by the annuitant became part of the Office Manager's responsibilities. Consequently, OAS determined that the closest comparable position was the Office Manager. Therefore, the retired annuitant's hourly payrate of \$60.00 during Fiscal Year 2013-14 exceeded the Office Manager's maximum hourly payrate of \$41.52. Government Code Section 21224 limits the retired annuitant's compensation to the maximum monthly base salary paid to other employees performing comparable duties as listed on a publicly available pay schedule. The retired annuitant has not worked for the Agency since August 2014.

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



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responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

- B. The Agency did not report the payrates, hours worked and earnings paid for a retired annuitant in my|CalPERS to allow monitoring of the 960-hour limit per fiscal year. Although the retired annuitant did not exceed the 960 hours in Fiscal Year 2013-14, the Agency did not report the hours and compensation of the retired annuitant as required.

***Recommendation:***

The Agency should ensure that compensation paid to retired annuitants is in accordance with Government Codes listed below.

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

The Agency should work with CalPERS Benefit Services Division (BNSD) and 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, § 21220, § 21224

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**4:** The Agency did not maintain the required member reciprocal self-certification.

***Condition:***

The Agency did not maintain the required member reciprocal self-certification for three employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by newly-hired individuals.

***Recommendation:***

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains this information.

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, §7522.02, § 7522.04  
CCR: § 579.3

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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 California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Alan Feblowitz, CFE, Senior Manager  
Chris Wall, Senior Manager  
Noah Schreier, 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."

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 accurate, pursuant to publicly available pay schedules that identify the position

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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 for additional service credits for unused sick leave.

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**

October 7, 2015



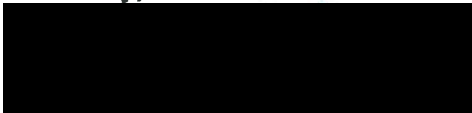
Ms. Beliz Chappuie, Chief  
California Public Employees' Retirement System  
Office of Audit Services  
P. O. Box 942701  
Sacramento, CA 94229-2701

**RE: Audit Response / CalPERS ID 5381548204**

Dear Ms. Chappuie:

I write in response to your September 23, 2015 letter regarding the compliance review for Coastside County Water District's contract with the California Public Employees' Retirement System. We agree with the findings in the review and will implement the recommendations as outlined.

Sincerely,



Original signed by David R. Dickson

David R. Dickson  
General Manager

cc: Mary Rogren, Assistant General Manager  
Gina Brazil, Office Manager