

# **Office of Audit Services**



# **CalPERS**

## **Public Agency Review**

## **County of Sierra**

**CalPERS ID: 7466485822**  
**Job Number: P14-066**

**March 2016**



California Public Employees' Retirement System  
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March 24, 2016

CalPERS ID: 7466485822  
Job Number: P14-066

Van Maddox, Auditor  
County of Sierra  
P.O. Box 425  
Downieville, CA 95936

Dear Mr. Maddox:

Enclosed is our final report on the results of the public agency review completed for the County of Sierra (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 Supervisors, County of Sierra  
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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# COUNTY OF SIERRA

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## RESULTS IN BRIEF

The objective of our review was to determine whether the County of Sierra (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 not reported as required by the Government Code and CCR.
- Payrates were incorrectly reported.
- Eligible employee was not enrolled into CalPERS membership timely.
- Member reciprocal self-certification was not maintained.
- Observation: Agency records did not agree with my|CalPERS information

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 February 16, 1967 to provide retirement benefits for local miscellaneous and safety (peace officer) employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and 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, 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 July 1, 2011 through June 30, 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.

***Condition:***

- A. The Agency incorrectly reported special compensation in regular earnings. Specifically, the Agency reported Holiday Pay and/or Shift Differential Pay with regular earnings for three safety employees in the pay period ended December 24, 2014. Holiday Pay and Shift Differential Pay are reportable as special compensation; however, they should be reported separately from regular earnings.
- B. The Agency incorrectly reported Uniform Allowance in regular earnings and as a lump sum amount. Specifically, the Agency reported Uniform Allowance of \$350.00 with regular earnings for a Deputy Sheriff safety employee in the pay period ended November 24, 2014. The Agency provided a \$350.00 Uniform Allowance semi-annually for safety employees required to wear uniforms. Although Uniform Allowance is reportable, it should be reported separately from regular earnings as special compensation. In addition, Government Code Section 20636(c)(3) requires the Agency to identify the pay period(s) in which the special compensation was earned.

***Recommendation:***

The Agency should report special compensation separately from regular earnings and in the pay period(s) earned.

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

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2: The Agency reported incorrect payrates.

**Condition:**

- A. The Agency incorrectly reported payrates in pay period ended December 24, 2014. Specifically, the Agency reported hourly payrates as monthly rates for seven safety and miscellaneous employees. For example, the Agency reported a monthly payrate of \$65.21 for an employee; however, the monthly payrate was \$11,302.37.
- B. The Agency's reported payrates did not match the payrates listed in the pay schedule for two employees in Fiscal Year 2013-14. Specifically, the Agency reported a payrate that exceeded the maximum payrate listed on the pay schedule for a sheriff sergeant. The Agency also reported a payrate that was less than the minimum payrate listed on the pay schedule for a public water operator II.

Payrate is an important factor in computing a member's retirement allowance because service credit and final compensation are directly related to this factor.

**Recommendation:**

The Agency should ensure that payrates are reported in accordance with the Agency's publicly available pay schedule.

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, § 20636

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**3:** The Agency did not enroll an eligible part-time employee in a timely manner.

***Condition:***

The Agency did not enroll a part-time employee who worked more than 1,000 hours in Fiscal Year 2013-14. Specifically, the part-time member completed over 1,000 hours as of May 30, 2014. However, the Agency did not enroll the employee into CalPERS membership until May 12, 2015. Government Code Section 20305 requires employees who complete 1,000 hours within a fiscal year to be enrolled into membership effective not later than the first day of the first pay period of the month following the month in which 1,000 hours of service were completed.

Government Code Section 20283 provides that any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all arrears cost for member contributions and administrative costs of five hundred dollars (\$500) per member as reimbursement to this system's current year budget.

***Recommendation:***

The Agency should monitor the hours worked by part-time employees to ensure the employees are enrolled when membership eligibility requirements are met.

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: § 20044, § 20160, § 20283, § 20305

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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 the 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 the information provided.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 7522.02, § 7522.04  
CCR: § 579.3



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**Observation:** The Agency's records do not agree with my|CalPERS information

**Condition:**

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified discrepancies between the Agency's records and my|CalPERS database. Specifically, nine employees had different hire dates than those listed in my|CalPERS. The hire dates in my|CalPERS were based on the contract effective date instead of the actual date of hire. OAS also identified four employees who had enrollment dates different from the dates reported in my|CalPERS. In addition, five individuals had employment statuses that were different from the employment statuses in my|CalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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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  
Jose Martinez, Lead Auditor  
Mike Obad, Lead Auditor

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**COUNTY OF SIERRA**

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# **APPENDIX A**

## **OBJECTIVES**

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# COUNTY OF SIERRA

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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 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 additional service credits for unused sick leave.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**

# SIERRA COUNTY

## County Auditor

P.O. Box 425  
Downieville, California 95936  
530-289-3273

## Treasurer -Tax Collector

P.O. Box 376  
Downieville, California 95936  
530-289-3286

## Risk Manager

P.O. Box 513  
Downieville, California 95936  
530-289-3273



Ms. Beliz Chappuie, Chief  
Office of Audits Services Cal PERS

Re: County of Sierra Public Agency Review

This is the County's response:

Condition 1 The Agency did not report special compensation in accordance with Government Code and CCR. The county agrees and has corrected the reporting.

Condition 2 The Agency reported incorrect payrates. The county agrees and has corrected the reporting.

Condition 3 The Agency did not enroll an eligible part time employee in a timely manner. The county agrees.

Condition 4 The Agency did not maintain the required member reciprocal self-certification. The county agrees and has corrected our procedures.

**Van A. Maddox, C.P.A.**  
Auditor/Treasurer-Tax Collector

Caleb Nelson, C.P.A.  
Chief Deputy Auditor

Docia Bostrom  
Assistant Treasurer-Tax Collector

Van A. Maddox

Original signed by Van A. Maddox

Auditor/Treasurer-Tax Collector  
3/8/2016