

# **Office of Audit Services**



## **Public Agency Review**

### **De Luz Community Services District**

**CalPERS ID: 7026387061  
Job Number: P14-054**

**May 2015**



California Public Employees' Retirement System  
Office of Audit Services  
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May 29, 2015

CalPERS ID: 7026387061  
Job Number: P14-054

Cherri Ruzek, Office Manager  
De Luz Community Services District  
41606 Date Street, Suite 205  
Murrieta, CA 92562-7090

Dear Ms. Ruzek:

Enclosed is our final report on the results of the public agency review completed for the De Luz Community Services 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 Young Hamilton

YOUNG HAMILTON, Acting Chief  
Office of Audit Services

Enclosure

cc: Board of Directors, De Luz Community Services 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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# DE LUZ COMMUNITY SERVICES DISTRICT

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## RESULTS IN BRIEF

The primary objective of our review was to determine whether the De Luz Community Services 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.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Employer Paid Member Contributions (EPMC) were 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 August 1, 1988 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 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. The employees selected were not 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 Government Code and CCR requirements.

### ***Condition:***

The Agency's pay schedule in effect during July 1, 2012 through June 30, 2014 did not meet all the requirements of the Government Code and the CCR. Specifically, the pay schedule was not duly approved by the Agency's governing body and did not indicate the time base.

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 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.

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***Recommendation:***

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

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make 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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## DE LUZ COMMUNITY SERVICES DISTRICT

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**2:** The Agency incorrectly reported EPMC.

***Condition:***

The Agency incorrectly reported EPMC for its employees in the pay period ending November 30, 2013. Specifically, the Agency's Resolution No. 2012-13, effective July 18, 2012, indicated that the Agency will pay six percent of the normal member contributions as EPMC. However, the Agency incorrectly reported five and one-third percent as EPMC.

***Recommendation:***

The Agency should correctly report EPMC in accordance with its resolution.

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, § 20636, § 20691  
CCR: § 569

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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

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YOUNG HAMILTON, CPA, CIA, CISA  
Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Diana Thomas, CIA, CIDA, Senior Manager  
Edward Fama, Auditor



# APPENDIX A

## OBJECTIVES

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# DE LUZ COMMUNITY SERVICES DISTRICT

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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 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 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.

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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 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.

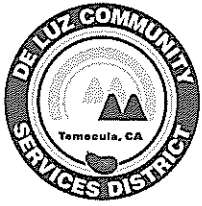
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**DE LUZ COMMUNITY SERVICES DISTRICT**

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



## De Luz Community Services District

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May 18, 2015

### BOARD OF DIRECTORS

MICHAEL ADAMS  
GENE BIANCHI  
BRYAN BUESCHER  
RAMI MINA  
STEVE RUBIN

### GENERAL MANAGER

ROB HOLMES

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

*Re: CalPers ID 7026387061, Job Number P14-054*

Dear Ms. Young:

We are receipt of the compliance review draft report dated May 11, 2015 with regards to the De Luz Community Services District.

We are in agreement with your findings and have implemented corrective measures as follows:

Condition No. 1:

*"The Agency's pay schedule did not meet all of the Government code and Ccr requirements"*

After adoption of any MOU, final pay schedules will be presented to the Board for ratification. My understanding is that posting a link to the State Controllers website that lists Government Compensation satisfies the website posting requirement. The De Luz CSD (DLCSD) has had the link in place since reporting compensation to the State Controller's Office became mandatory.

Condition No. 2:

*"The Agency incorrectly reported EMPC"*

Prior to the launch of MyCalPers in 2011, a key, long-term employee retired (12/3010). The DLCSD Staff experienced a shift in duties as well as new personnel.

With the launch of the MyCalPers System, the existing employees information as well as data fields were populated into the system by CalPers. We were told by CalPers that these fields were for informational purposes. In addition, the DLCSD also implemented a new payroll accounting software system as previous payroll and reporting were done manually. Due to the "learning-curve" with MyCalPers, the District's new software, new staff, and Pension Reform all occurring simultaneously, District Staff was unaware of how these populated fields affected the reporting element in MyCalPers.

The District's detailed payment records have always reflected the correct contribution amount. The data fields in MyCalPers have since been adjusted to reflect the correct contribution amounts.

I look forward to working with the Employer Account Management Division (EAMD) for any additional suggestions they may have to offer.

Sincerely,

DE LUZ COMMUNITY SERVICES DISTRICT



Original signed by Cher Ruzek

Cher Ruzek  
Office Manager