

Office of Audit Services



Public Agency Review

Madera County Mosquito and Vector Control District

**CalPERS ID: 6622932927
Job Number: P14-019**

February 2015



California Public Employees' Retirement System
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February 27, 2015

CalPERS ID: 6622932927
Job Number: P14-019

Leonard Irby, District Manager
Madera County Mosquito and Vector Control District
3105 Airport Dr.
Madera, CA 93637

Dear Mr. Irby:

Enclosed is our final report on the results of the public agency review completed for the Madera County Mosquito and Vector Control 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, 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: Board of Trustees, Madera County Mosquito and Vector Control District
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

MADERA COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

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RESULTS IN BRIEF

The primary objective of our review was to determine whether the Madera County Mosquito and Vector Control 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.
- Special compensation was not reported as required by CCR Section 571.
- Payrate reported did not agree with Agency's pay schedule.
- Member contributions were incorrectly reported.
- Retired annuitant information was not reported.
- An eligible part-time employee was not enrolled into membership.

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 October 1, 1972 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, 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: Pay schedule did not meet all the Government Code and CCR requirements.

Condition:

The Agency's pay schedule did not include all position titles and corresponding salary ranges as required by Government Code Section 20636 and CCR Section 570.5. Specifically, the Agency's pay schedule did not include the position titles and salary ranges for the Agency's District Manager and Secretary/Bookkeeper. In addition, the Agency's pay schedule did not indicate an effective date and date of any revisions.

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 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).

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Recommendation:

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

The Agency should work with the 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 by the CCR.

Condition:

- A. The Agency did not report the monetary value of uniforms and uniform maintenance, a statutory item of compensation, for all employees who were provided uniforms. The Agency provides and maintains uniforms for all Technician employees for safety and identification purposes. Because the uniforms are not considered solely for personal health and safety, the Agency should have reported the monetary value of uniforms.

- B. In addition, the Agency's written labor policy or agreement did not address the monetary value of uniforms and its condition for payments. Reportable special compensation is required to be contained in a written labor policy or agreement indicating the eligibility for and amount of special compensation. Also, special compensation must be available to all members in a group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, historically consistent with prior payments for the job classification. In addition, special compensation must not be paid exclusively in the final compensation period, and not be final settlement pay.

Recommendation:

The Agency should ensure the monetary value of uniforms and uniform maintenance are reported as special compensation.

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

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: Agency reported a payrate that did not agree with its pay schedule.

Condition:

The Agency reported a monthly payrate that was less than the minimum pay range listed on the Agency's pay schedule. Specifically, the Agency reported \$4,106.00 for the Field Foreman position in the pay period ending May 31, 2014. The minimum monthly payrate for this position was listed on the Agency's pay schedule as \$4,500.00. Payrate is an important factor in computing a member's retirement allowance because service credit and final compensation are directly related to the payrate and earnings reported for a member.

Recommendation:

The Agency should ensure payrates are correctly reported to CalPERS in accordance with approved pay schedules.

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: § 570.5

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4: The Agency incorrectly reported member contributions.

Condition:

The Agency incorrectly reported member contributions during the pay period ending May 31, 2014. Specifically, the Agency incorrectly reported member paid contributions as Employer Paid Member Contributions.

Recommendation:

The Agency should immediately discontinue reporting member contributions as Employer Paid Member Contributions and instead report these contributions as Tax Deferred Member Paid Contributions.

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, § 20774, § 20775

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5: The Agency did not report retired annuitant information.

Condition:

The Agency did not report retired annuitant information with CalPERS as required. Although the retired annuitant work hours did not exceed 960 hours in a fiscal year, the Agency did not report the hours and compensation in my|CalPERS as required.

Recommendation:

The Agency should enroll and report retired annuitant hours and compensation in my|CalPERS.

Criteria:

Government Codes: § 20121, § 20122, § 20160

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6: The Agency did not enroll an eligible employee into CalPERS membership.

Condition:

The Agency did not enroll a part-time employee who met the 1,000-hour membership eligibility requirement during fiscal year 2013-14. Specifically, the part-time employee completed 1,000 hours of service in the pay period ending June 30, 2014. 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.

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 CASD to make any adjustments, if necessary, to active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20044, § 20160, § 20305

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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
Diana Thomas, CIA, CIDA, Senior Manager
Alan Feblowitz, CFE, Senior Manager
Michael Obad, Auditor

**MADERA COUNTY MOSQUITO AND VECTOR
CONTROL DISTRICT**

APPENDIX A

OBJECTIVES

MADERA COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

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.

**MADERA COUNTY MOSQUITO AND VECTOR
CONTROL DISTRICT**

APPENDIX B

AGENCY RESPONSE



MADERA COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

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LEONARD IRBY, MANAGER
ALEX SCALZO, FIELD FOREMAN
MONICA MARTINEZ, SECRETARY/BOOKKEEPER
WILLIAM ROWLES, MECHANIC

January 30, 2015


Young Hamilton, Chief
Attn: Michael Obad
CalPERS - Office of Audit Services
P.O. Box 942701
Sacramento, Ca. 94229-2701

Dear Mr. Obad:

While the District understands the recommendations and agrees to comply and co-operate in any way it can, we believe that results of the report are due to the lack of guidance and monitoring in the past from CalPERS and oversights on our part due to unanticipated changes like Employees Retiring, Training Replacements, and the Eradication of an Invasive Mosquito during this review period. The District has corrected some of the issues in the report and will co-operate fully with your staff in correcting the remaining issues and put safeguards in place to prevent this from happening in the future.

Thank you for your understanding and co-operation in the future.

Best Regards,


Leonard Irby
District Manager

Original Signed By Leonard Irby