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December 28, 2011

Employer Code: 0742  
Job Number: P10-033

Oroville Cemetery District  
Cheryl Smith, General Manager  
5646 Lincoln Blvd.  
Oroville, CA 95965

Dear Ms. Smith:

Enclosed is our final report on the results of the public agency review completed for the Oroville Cemetery District. Your agency's 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 Margaret Junker  
MARGARET JUNKER, Chief  
Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Karen DeFrank, Chief, CASD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Honorable Board of Trustees, Oroville Cemetery District

# **Office of Audit Services**



## **Public Agency Review**

### **Oroville Cemetery District**

**Employer Code: 0742**  
**Job Number: P10-033**

**December 2011**

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# OROVILLE CEMETERY DISTRICT

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# **OROVILLE CEMETERY DISTRICT**

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## **RESULTS IN BRIEF**

The Office of Audit Services (OAS) reviewed the Oroville Cemetery District's (District) enrolled individuals, member compensation, required health and retirement documentation and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- Payrates reported to CalPERS were not in accordance with the District's salary schedule.
- Unused sick leave was over-reported to CalPERS.

The pertinent sections of the Government Code and California Code of Regulations for each finding are listed in Appendix C.

A confidential list identifying the individuals mentioned in this report has been sent to the District and CalPERS Customer Account Services Division (CASD) and Benefit Services Division (BNSD) as an appendix to this draft report.

## **DISTRICT BACKGROUND**

The District is governed by a five-member Board of Trustees appointed by the Butte County Board of Supervisors. The Trustees themselves administer the operations of the District in accordance with policies adopted by the Board of Trustees and in accordance with Health & Safety Code Section 8950. They employ a salaried District Manager to oversee the daily operations of the District.

The District contracted with CalPERS effective July 1, 1968, to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The District contracted with CalPERS effective November 1, 1993, to provide health benefits to all eligible employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the District's payroll reporting and member enrollment processes as these processes relate to the District's retirement and health contracts with CalPERS.

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# **OROVILLE CEMETERY DISTRICT**

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The review period was limited to the examination of sampled records and processes from January 1, 2008, through December 31, 2010.

The on-site fieldwork for this review was conducted on March 1, 2011, through March 4, 2011. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

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# OROVILLE CEMETERY DISTRICT

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**Finding 1:** The District reported payrates to CalPERS that were not in accordance with the District's salary schedule.

### Recommendation:

The District should discontinue reporting payrates not in accordance with the salary schedule.

The District should work with CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments are needed.

### Condition:

OAS reviewed payrates reported to CalPERS for a sample of seven employees. Based on the review of documents provided by the District and otherwise obtained, OAS reconciled the payrates to the District's available salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. OAS determined that payrates were not reported in accordance with the District's salary schedule for two sampled employees.

- Cemetery Maintenance Worker II: In the 11/10-0 pay period, the payrate listed in the salary schedule was \$3,283.00; however, the payrate reported was \$3,213.50. Additionally, in the 11/08-0 pay period, the payrate listed in the salary schedule was \$3,219.00; however, the payrate reported was \$594.24.
- Office Specialist: The payrate listed in the salary schedule was \$12.40 per hour; however, the payrate reported was a monthly rate of \$1,612.00 or \$9.30 per hour.

### Criteria:

Government Code § 20630(b), Government Code § 20636(a), and Government Code § 20636(d)

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# OROVILLE CEMETERY DISTRICT

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**Finding 2:** The District did not certify the correct amount of unused sick leave to CalPERS for one sampled retiree.

**Recommendation:**

The District should ensure unused sick leave is accurately calculated and certified so that the retiree receives the appropriate amount of service credit upon retirement. An amended certification form (PERS-BSD-200) should be submitted to CalPERS BNSD in order to adjust incorrect certifications.

**Condition:**

The District did not certify the correct amount of unused sick leave for a retiring employee. Specifically, an employee accrued 814 hours of unused sick leave and cashed out 123.46 hours at retirement. This left the employee with 690.54 hours of unused sick leave. However, the District included the 123.46 hours of unused sick leave previously cashed out when certifying sick leave. After the cash out, using a divisor of 8 the District should have certified 86.318 days of unused sick days. The District incorrectly calculated and certified unused sick leave to CalPERS. As a result, the retiree's service credit was overstated.

**Criteria:**

Government Code § 20965

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# OROVILLE CEMETERY DISTRICT

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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the District's payroll and health 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.

Respectfully submitted,

Original Signed by Margaret Junker  
MARGARET JUNKER, CPA, CIA, CIDA  
Chief, Office of Audit Services

Date: December 2011

Staff: Matt Espenshade, CFE, Supervising Manger

Michael Dutil, CIA, Senior Manager

Diana Thomas, CIDA, Manager

Edward Fama, Auditor

Nancy Sayers, Auditor



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**OROVILLE CEMETERY DISTRICT**

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# **APPENDIX A**

## **BACKGROUND**

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# OROVILLE CEMETERY DISTRICT

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## BACKGROUND

### **California Public Employees' Retirement System**

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. Health Account Services (HAS), as part of CASD, provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts. CalPERS Benefits Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

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**OROVILLE CEMETERY DISTRICT**

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# **APPENDIX B**

## **OBJECTIVES**

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# OROVILLE CEMETERY DISTRICT

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## OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the District's retirement and health benefits contracts with CalPERS were followed.

This review covers the period of January 1, 2008, through December 31, 2010.

## SUMMARY

### **Procedures, Sample Sizes, Sample Periods, and Findings**

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures, reviewed documents, and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
  - Provisions of the Contract and contract amendments between the District and CalPERS
  - Correspondence files maintained at CalPERS
  - District Council minutes and resolutions
  - District written labor policies and agreements
  - District salary, wage and benefit agreements including applicable resolutions
  - District personnel records and employee hours worked records
  - District payroll information including Summary Reports and PERS listings
  - Other documents used to specify payrate, special compensation and benefits for all employees
  - Health Benefits Program enrollment records and supporting documentation
  - District ordinances as necessary
- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District reported non-reportable compensation.

Sample Size and Period: Reviewed seven employees covering two sampled service periods - December 2010 (12/10-0), and June 2010 (6/10-0).

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# OROVILLE CEMETERY DISTRICT

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## No Finding

- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District reported compensation earnable.

## No Finding

- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District correctly reported compensations earnable.

## No Finding

- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to District 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 District's governing body in accordance with requirements of applicable public meeting laws.

Sample Size and Period: Reviewed seven sampled employees in service period June 2010 (12/10-0).

**See Finding 1:** Salaries reported did not match the District's publicly available salary schedule.

- ✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly: contribution code, pay code, work schedule code, service period, and member contributions.

Sample Size and Period: Reviewed seven sampled employees in service period June 2010 (12/10-0).

## No Finding

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# OROVILLE CEMETERY DISTRICT

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- ✓ Reviewed PERS listing to determine whether contribution codes were reported correctly.

**No Finding**

- ✓ Reviewed PERS listing to determine whether pay codes were reported correctly.

**No Finding**

- ✓ Reviewed the District's calculation and reporting of unused sick leave balances.

Sample Size and Period: One retiring member covering the review period.

**See Finding 2:** Unused sick leave was not properly certified.

- ✓ Reviewed health records to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.

Sample Size and Period: Seven employees and their dependents in the review period.

**No Finding**

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**OROVILLE CEMETERY DISTRICT**

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# **APPENDIX C**

## **CRITERIA**

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# OROVILLE CEMETERY DISTRICT

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## CRITERIA

### ***Finding 1: Public Salary Information and Payrate Reporting***

Government Code § 20630, subdivision (b), states, in part:

Compensation shall be reported in accordance with Section 20636 and shall not exceed compensation earnable, as defined in Section 20636.

Government Code § 20636, subdivision (a), defines compensation earnable by a member as, "the payrate and special compensation of the member...."

Government Code § 20636, subdivision (b)(1), defines payrate, in part, as:

"Payrate" means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules....

Government Code § 20636, subdivision (d), states:

Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.

### ***Finding 2: Unused Sick Leave Certification***

Government Code § 20965, states:

A local miscellaneous member and local safety member of a contracting agency who has contracted for this provision, whose effective date of retirement is within four months of separation from employment, to be credited at the time of retirement with 0.004 years of service credit for each unused day of sick leave certified to the board by his employer. The certification shall report only those days of unused sick leave that were accrued by the member during the normal course of his or her employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit. Reports of unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found.



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**OROVILLE CEMETERY DISTRICT**

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# **APPENDIX D**

## **AGENCY RESPONSE**



# Oroville Cemetery District



5646 Lincoln Boulevard, Oroville, CA. 95966

Phone (530) 533-2920 - Fax (530) 533-2164

oroville.district@att.net

October 5, 2011

Employer Code: 0742

Job Number: P10-033

Margaret Junker, Chief, Office of Audit Services  
California Public Employee's Retirement System  
PO Box 942701  
Sacramento, CA 94229-2701

Dear Ms. Junker,

I received and reviewed the "Draft" audit report your office prepared.

**Finding #1:** Payrates reported to CalPERS were not in accordance with the District's salary schedule.

**Recommendation:** The District should discontinue reporting payrates not in accordance with the salary schedule.

The District should work with CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments are needed.

**Response:** Agree with the findings and recommendation, except for 11/10-0 pay period, [redacted] was demoted mid month resulting in a decrease of his monthly payrate.

**Finding #2:** The District did not certify the correct amount of unused sick leave to CalPERS for one sampled retiree.

**Recommendation:** The District should ensure unused sick leave is accurately

calculated and certified so that the retiree receives the appropriate amount of service credit upon retirement. An amended certification form (PERS-BSD-200) should be submitted to CalPERS BNSD in order to adjust incorrect certifications.

**Responses:** Agreed, the District will adjust the certified sick leave credit by submitting an amended certification form correcting the overstated credit of 15.43 days.

Enclosed is the amended PERS-BSD-200A form to be filed with CalPERS upon completion of your office's audit. The District will work with CalPERS CASD to correct the incorrect reporting in Finding #1 as well. To prevent future errors, the District Manager has enrolled in CalPERS educational training focused on "Elements of a Payroll Listing."

The District did find a couple of items in the Draft that need to be corrected: Page 3, 4 and Appendix D-1 (see attached).

Regards,

A handwritten signature in cursive script that reads "Cheryl Smith". The signature is written in black ink and is positioned above the printed name and title.

Cheryl Smith  
District Manager