

Office of Audit Services



CalPERS

Public Agency Review

Rosamond Community Services District

**Employer Code: 1844
CalPERS ID: 2113125734
Job Number: P13-021**

June 2014



California Public Employees' Retirement System
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June 27, 2014

Employer Code: 1844
CalPERS ID: 2113125734
Job Number: P13-021

Rosamond Community Services District
Lizette Guerrero, Human Resources Administrator
3179 35th Street West
Rosamond, CA 93560

Dear Ms. Guerrero:

Enclosed is our final report on the results of the public agency review completed for the Rosamond 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 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: Board of Directors, Rosamond Community Services District
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS

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RESULTS IN BRIEF

The primary objective of our review was to determine whether Rosamond 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 requirements of the CCR.
- Payrates were not reported correctly.
- Special compensation was not reported as required by CCR section 571.
- The Agency reported incorrect payroll information.
- The Agency did not enroll a temporary employee into membership when eligibility requirements were met.

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 4, 2002 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 2013/2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate 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, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted on November 20, 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 one of the requirements of the CCR.

Condition:

The Agency's pay schedule in effect during the pay period ending June 28, 2013 did not list the payrate for the General Manager. 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. According to 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.
- Not reference another document in lieu of disclosing the payrate.

Recommendation:

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

The Agency should work with CalPERS Customer Account Services Division (CASD) to make all necessary adjustments, if any, to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20160, § 20636 (a), § 20636 (b)(1), § 20636 (d)
CCR: § 570.5

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2: The Agency incorrectly reported payrates.

Condition:

- A. The Agency reported incorrect payrates when applying retroactive salary adjustments. Specifically, the Agency reported the annual salary amount as monthly payrate when applying retroactive salary adjustments for an employee. For example, the Agency reported \$123,968.00 instead of the correct monthly payrate of \$10,330.67 for the pay periods ending March 9, 2012 and March 23, 2012. Similarly, in the pay period ending April 6, 2012, the Agency reported \$125,840.00 instead of the correct monthly payrate of \$10,486.67.
- B. The Agency reported a reduced payrate for a part-time employee in the pay period ending June 28, 2013. The Agency reported a monthly payrate of \$2,955.51 for this employee, instead of \$3,477.06 as listed on the Agency's Board approved pay schedule.
- C. The Agency reported incorrect payrates for two employees in the pay period ending June 28, 2013. The Agency reported special compensation twice, once added to the base payrate and separately as special compensation. Although the Agency correctly paid and reported earnings, the Agency incorrectly reported payrates.

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 report the correct monthly payrates when reporting retroactive salary adjustments.

The Agency should not reduce payrates for employees because they work on a part-time basis when reporting payrates to CalPERS.

The Agency should report special compensation separately from base payrate and earnings.

The Agency should ensure payrates are correctly reported pursuant to the definition of payrate in Government Code section 20636.

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The Agency should work with CASD to determine the impact of this incorrect reporting and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20120, § 20121, § 20160, § 20630, § 20636
CCR: §570.5

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3: The Agency did not report the monetary value of uniforms as required by the CCR.

Condition:

The Agency did not report the monetary value for the purchase and maintenance of uniforms as special compensation for employees required to wear uniforms. The Agency provides and launders uniforms for its field employees. CCR section 571 requires that the monetary value for the purchase, rental and/or maintenance of required clothing, a statutory item, be reported as special compensation.

Recommendation:

The Agency should report the monetary value of uniforms as special compensation.

The Agency should work with CASD to ensure that the Agency is reporting all eligible compensation and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

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

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4: The Agency reported incorrect payroll information.

Condition:

The Agency reported an incorrect number of work week hours for an employee. Specifically, the Agency reported 34 hours for the Administrative Assistant who was working part-time in the pay period ending June 28, 2013. However, the Agency should have reported scheduled hours at the full-time basis of 40 hours per week. Agencies are required to report accurate payroll information for each member in order for CalPERS to correctly calculate the member's service credit and final compensation for retirement benefits. Scheduled hours per week is one data element used to determine service credit.

Recommendation:

The Agency should ensure that correct work week schedule is reported for members when reporting payroll to CalPERS.

The Agency should work with CASD to assess the impact of the incorrect reporting issue and make the necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 20120, § 20121, § 20122, § 20160

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5: The Agency did not enroll a temporary employee into membership when eligibility requirements were met.

Condition:

The Agency did not enroll a temporary employee with existing CalPERS membership. Employees who have previous CalPERS membership are required to be immediately enrolled upon the first day of rendering services to the Agency. Pursuant to Government Code section 20305(a)(1), if an employee is already a member at the time he or she renders services, and is not excluded by a provision of a contract, he or she cannot be excluded.

Recommendation:

The Agency should ensure that temporary employees with existing CalPERS membership are immediately enrolled upon hire.

The Agency should work with CASD to make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

Criteria:

Government Codes: § 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 as 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, California Code of Regulations.

Respectfully submitted,

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Manager
Jodi Brunner, CGAP, Auditor
Kelly Dotters-Rodriguez, Auditor

APPENDIX A

OBJECTIVES

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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 covers the period of July 1, 2010 through June 30, 2013. 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 all 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 meeting laws.

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- ✓ Reviewed CalPERS listing 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 960 hours were worked in a fiscal year.
- ✓ 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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APPENDIX B

AGENCY RESPONSE

Rosamond Community Services District

BOARD OF DIRECTORS

Greg Wood, President
Rick Webb, Vice-President
Byron Glennan, Director
Kathleen Spoor, Director
Alfred Wallis, Director

OFFICERS

Steve A. Perez
General Manager
Gibson and Gibson
Counsel
Lizette Guerrero
Board Secretary

Finding 1:

Management Response:

The Agency has updated its pay schedule to meet all of the CCR requirements.

Finding 2:

Management Response:

The Agency has corrected the monthly payrates reported for retroactive salary adjustments.

The Agency has corrected the reduced payrates for part-time employees.

The Agency has corrected the methodology for reporting special compensation.

Finding 3:

Management Response:

The Agency has corrected the omission of monetary value for uniforms.

Finding 4:

Management Response:

The Agency has corrected the methodology for reporting the work week schedule to CalPERS.

Finding 5:

Management Response:

The Agency has implemented procedures to ensure that temporary employees with existing CalPERS membership are immediately enrolled upon hire.