

Office of Audit Services



Public Agency Review

Rubidoux Community Services District

**Employer Code: 0584
CalPERS ID: 4070863161
Job Number: P13-038**

June 2014



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
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June 10, 2014

Employer Code: 0584
CalPERS ID: 4070863161
Job Number: P13-038

Rubidoux Community Services District
David D. Lopez, General Manager
3590 Rubidoux Blvd.
Jurupa Valley, CA 92509

Dear Mr. Lopez:

Enclosed is our final report on the results of the public agency review completed for the Rubidoux 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, Rubidoux Community Services District
Risk and Audit Committee Members, CalPERS
Gina M. Ratto, Interim General Counsel, CalPERS
Renee Ostrander, Assistant Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Kathy Poindexter, Manager of Fiscal Services, RCSD
Brian Jennings, Manager Budgeting/Accounting, RCSD

RUBIDOUX COMMUNITY SERVICES DISTRICT

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RESULTS IN BRIEF

The primary objective of our review was to determine whether Rubidoux 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 requirements of the CCR.
- Special compensation of the value of uniforms was not reported as required.
- 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. OAS also recommends the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

SCOPE

The Agency contracted with CalPERS effective June 1, 1965 to provide retirement benefits for local fire employees. The contract was amended effective July 5, 2004 to include 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 from December 2, 2013 through December 3, 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 requirements of the CCR.

Condition:

The pay schedule for non-represented employees did not list positions, include the full-time payrate for each position, and was not approved by the Agency's governing body as required. Specifically, the General Manager position and payrate was not listed. The pay schedule for employees covered by the Laborers International Unit of North America, Local 777 was in compliance with CCR Section 570.5

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 the 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 schedules meet all of the CCR requirements.

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

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Criteria:

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

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2: The Agency did not report special compensation as required by the CCR.

Condition:

The Agency did not report the monetary value of uniforms provided to employees as special compensation. The 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 ensure the value of uniforms is reported as special compensation.

The Agency should work with CASD to determine the impact of this incorrect reporting issue 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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3: The Agency did not enroll an eligible part-time employee into membership.

Condition:

The Agency did not enroll a part-time employee who was compensated for more than 1,000 hours in fiscal year 2011-2012. Specifically, the part-time employee was hired effective October 5, 2010 to work part-time as an Office Assistant. This position accrued sick leave, vacation and holiday pay at approximately 50 percent of the full-time allocation. The employee worked a total of 972.5 hours and was compensated for an additional 68 hours for holiday, vacation, and sick leave that totaled 1,040.5 hours. As a result, this employee met the 1,000 hour membership eligibility requirement in June 2012 but was not enrolled. 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 enrollment when membership eligibility requirements are met.

The Agency should work with CASD to assess the impact of this membership requirement issue and make any necessary adjustments to the member's account pursuant to Government Code Section 20160.

Criteria:

Government Code: § 20044, § 20120, § 20121 § 20160, § 20305(a)

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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
Jose Martinez

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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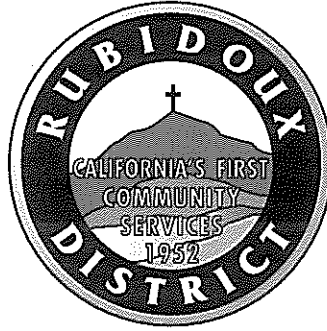
APPENDIX B

AGENCY RESPONSE

Rubidoux Community Services District

Board of Directors

Gail Barclay
Armando Muniz
John Skerbelis
F. Forest Trowbridge
Ruth Anderson Wilson



Secretary-Manager

David D. Lopez

Water Resource Management

Refuse Collection

Street Lights

Fire / Emergency Services

Weed Abatement

May 28, 2014

California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701

Dear Sir/Madam:

The following is the response of the Rubidoux Community Services District (District) to the CalPERS Public Agency Review dated May 9, 2014:

Finding 1: The Agency's pay schedule did not meet all requirements of the CCR.

Going forward, the District will include all employee positions on the pay schedule, including the General Manager. The pay schedule will be readily accessible for public review and in the format indicated in accordance with CCR section 570.5. It will be annually reviewed during the budget process and approved and adopted by the District's board of directors.

Finding 2: The Agency did not report special compensation as required by the CCR.

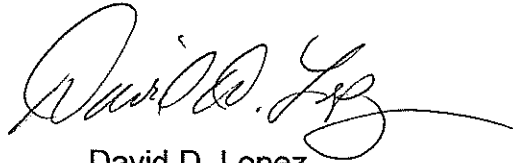
The District will add the value of uniforms as special compensation.

Finding 3: The Agency did not enroll an eligible part-time employee into membership.

The District will monitor part-time employee hours and enroll the part-time employee as a CalPERS member.

The District will coordinate with CalPERS Customer Account Services Division on appropriate methodologies and timing of implementation after receipt of the final report. Any questions, you may contact me at 951-684-7580.

Sincerely,



David D. Lopez
General Manager

Board\calpers audit response 2014