

## CITY OF FORT BRAGG

### Objective and Scope

CaIPERS ID	Job Number	Contract Date
3459724670	1P22-015	September 1, 1967

The objective of the Office of Audit Services (OFAS) review was to determine if public agency employers (employer) reported Holiday Pay for safety-police and safety-fire members in compliance with Government Code (GC) sections 20636 and 7522.34 and Title 2 of the California Code of Regulations (CCR) sections 571 and 571.1.

Holiday Pay is defined in CCR sections 571 and 571.1 as additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays. For classic members, GC section 20636 and CCR section 571 specify special compensation includes a payment for special skills, knowledge, abilities, work assignments, workdays or hours, or other work conditions. All special compensation shall be limited to that which is received by a member pursuant to a labor policy or agreement to similarly situated members of a group or class of employment where such labor policy or agreement has been duly approved and adopted by the employer's governing body. Special compensation must be for services rendered during normal work hours, and reported amounts to CalPERS shall identify the pay period in which the special compensation was earned, each item of special compensation separately from payrate, and the category under which that item is listed. Special compensation is reportable as pensionable compensation for Public Employees' Pension Reform Act of 2013 (PEPRA) members if it meets the requirements of GC section 7522.34 and CCR section 571.1. Incorrect reporting of Holiday Pay may result in miscalculation of employer contributions, delays in processing retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, reduction in benefits, and increased employer administrative costs for processing corrections to all impacted employee accounts for the period the misreporting occurred.

OFAS' review was limited to examining a sample of employee records for the period July 1, 2019 through June 30, 2022. Unless otherwise specified, OFAS did not review areas outside of the scope described herein, including, but not limited to, other types of compensation, payrates, and regular earnings, membership enrollment, or employment after retirement.

### Results in Brief

No.	Area	Observation
1	Not Correctly Reported	The Employer incorrectly reported Holiday Pay for one sampled active employee and one sampled retired employee. For one employee, the Employer reported Holiday Pay of \$294.17 for pay period ended June 4, 2022, which consisted of Holiday Pay of \$281.28 and a retroactive special compensation adjustment (RSCA) of \$12.89 for Holiday Pay for the period January 1, 2022 to June 30, 2022. However, the Employer included amounts for Longevity, Acting Sergeant, and Field Training Officer pay in their

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No.	Area	Observation
		<p>calculation of Holiday Pay. The Employer's written labor agreement for the Fort Bragg Police Association, effective August 29, 2021 through June 30, 2024, (MOU) specifies Holiday Pay is to be paid at one and a half times the employee's hourly rate and does not provide for inclusion of other items of pay in the calculation of Holiday Pay. The Employer should have reported \$283.08 for pay period ended June 4, 2022 based on the employee's hourly rate and should not have reported the RSCA amount. For the other employee, the Employer reported Holiday Pay of \$1,012.32 as a lump sum for pay period ended February 28, 2022 instead of for the periods earned, which was during January 1, 2022 through February 28, 2022. The Employer should have reported Holiday Pay of \$253.08 for the pay period ended February 28, 2022.</p> <p>GC section 7522.34 provides that amounts of pensionable compensation paid to new members must be pursuant to publicly available pay schedules. Employers define and enumerate requirements for the types of pay they provide their employees in written labor policies or agreements. GC section 20049 provides that a labor policy or agreement is any written policy, agreement, memorandum of understanding, legislative action of the employer's governing body, or any other document used by the employer to specify payrate, special compensation, and benefits of represented and unrepresented employees. CCR section 571.1 provides that when a pay schedule does not disclose items of pensionable compensation the types of documents outlined in GC section 20049 may be referenced. GC section 20636 states that when reporting special compensation, the employer must identify the pay period in which the special compensation was earned. The Employer explained that provisions for including Longevity, Acting Sergeant, and Field Training Officer pay in the calculation of Holiday Pay were mistakenly omitted from the MOU and that not reporting Holiday Pay as earned was an oversight.</p>

<b>Recommendation and Criteria</b>
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The Employer should ensure Holiday Pay is reported in compliance with GC sections 20636 and 7522.34, and CCR sections 571 and 571.1. The Employer should work with CalPERS Employer Account Management Division to identify all active and retired members impacted and to determine what adjustments, if any, are needed to correct written labor agreements, and/or improperly reported Holiday Pay amounts. To the extent that any amounts of pay were improperly included in the retirement allowance of retired members, a correction to the retirement allowance should be made pursuant to GC section 20160.

GC: § 20120, § 20121, § 20122, § 20160, § 20636, § 7522.34

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CCR: § 571, § 571.1

## Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. The review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Sample testing procedures provide reasonable, but not absolute, assurance that the Employer complied with the specified provisions of the Public Employees' Retirement Law. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Employer of the final determinations and provide appeal rights, if applicable, at that time.

## Summarized Response

The Employer did not provide a response to the Observation noted in the report.