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January 30, 2012

Employer Code: 1881  
Job Number: P10-030

BETA Healthcare Group Risk Management Authority  
Karen Huang, Payroll Specialist  
1443 Danville Blvd.  
Alamo, CA 94507

Dear Ms. Huang:

Enclosed is our final report on the results of the public agency review completed for the BETA Healthcare Group Risk Management Authority. Your agency's written response, included as an appendix to the report, indicates agreement with the issue noted in the report. In accordance with our resolution policy, we have referred the issue identified in the report to the appropriate division at CalPERS. Please work with this division to address the recommendation 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

# **Office of Audit Services**



## **Public Agency Review**

### **BETA Healthcare Group Risk Management Authority**

**Employer Code: 1881  
Job Number: P10-030**

**January 2012**

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Authority Background.....	1
Scope.....	2
Office of Audit Services Review Results .....	3
Finding 1: Payrate Reporting.....	3
Conclusion .....	4
CalPERS Background.....	Appendix A
Objectives .....	Appendix B
Criteria .....	Appendix C
Status of Prior Review .....	Appendix D
Authority's Written Response .....	Appendix E

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# **BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY**

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## **RESULTS IN BRIEF**

The Office of Audit Services (OAS) limited the review of the BETA Healthcare Group Risk Management Authority (Authority) to the Authority's enrolled individuals, member compensation, required health and retirement documentation and other documentation for individuals included in test samples. This review did not include a determination as to whether the Authority is a "public agency" (as that term is used in the California Public Employees' Retirement Law), and OAS therefore expresses no opinion or finding with respect to whether the Authority is a public agency or whether its employees are employed by a public agency.

A detail of the finding is noted in the Results section beginning on page three of this report. Specifically, the following finding was noted during the review:

- A payrate was reported to CalPERS that was below the payrate listed in the publicly available salary schedule for the position.

The pertinent sections of the Government Code for this finding are described in greater detail in Appendix C.

A confidential appendix to this draft report identifying the individual mentioned in the report's finding has been sent to the Authority and CalPERS Customer Account Services Division (CASD).

## **AUTHORITY BACKGROUND**

The Authority was founded in 1979 as an alternative to commercial malpractice insurance. The Authority is a group self-insurance program providing liability coverage to city, county, district, and nonprofit hospitals and healthcare facilities in California. The Authority is managed by the BETA Council which is a board of 13 representatives, 12 of whom are elected by program members. The Authority's Policy and Procedures Manual and employment agreements outline all Authority employees' salaries and benefits and state the terms of employment agreed upon between the Authority and its employees.

The Authority contracted with CalPERS effective January 1, 2004, to provide retirement benefits for local miscellaneous employees. The Authority's current contract amendment identifies the length of the final compensation period as three years for all coverage groups. The Authority contracted with CalPERS effective January 1, 1994, to provide health benefits to all eligible employees.

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# **BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY**

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## **SCOPE**

As part of the Board-approved plan for fiscal year 2010/2011, the OAS reviewed the Authority's payroll reporting and member enrollment processes as these processes relate to the Authority's retirement and health contracts with CalPERS. 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 January 19, 2011, through January 20, 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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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**Finding 1:** The Authority reported a payrate to CalPERS that was below the payrate listed in the publicly available salary schedule for the position.

### ***Recommendations:***

The Authority should ensure that all payrates reported to CalPERS are contained in a publicly available salary schedule.

The Authority should work with CalPERS CASD to assess the impact of and to correct this reporting issue.

### ***Condition:***

OAS determined that payrates for nine of the 10 sampled employees were reported pursuant to publicly available salary schedules. However, the payrate for one sampled employee was not paid and reported according to the salary schedule provided by the Authority.

The payrate for the employee's position was shown on the publicly available salary schedule as a range from \$103,700 to \$172,900 annually. The employee's payrate reported to CalPERS for service period 6/10-2 was \$8,417.67 monthly, or \$101,012 annually. This payrate was below the published payrate range for the position.

### ***Criteria:***

Government Code § 20636(a), (b)(1), and (d)

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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## CONCLUSION

OAS limited this review to the payroll reporting and membership enrollment 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 Authority'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 finding and conclusion outlined in this report was based on information made available or otherwise obtained at the time this report was prepared. Since OAS did not review whether the Authority is a "public agency" (as that term is used in the California Public Employees' Retirement Law), this report expresses no opinion or finding with respect to whether the Authority is a public agency or whether its employees are employed by a public agency.

Respectfully submitted,

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

Date: January 2012

Staff: Matt Espenshade, CFE, Supervising Manager

Michael Dutil, CIA, Senior Manager

Diana Thomas, CIDA, Manager

Nancy Sayers

Emma Shaw

# APPENDIX A

## BACKGROUND



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# **BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY**

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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. CalPERS's Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Health Account Services (HAS) section, as part of the 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.

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.

# APPENDIX B

## OBJECTIVES

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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## OBJECTIVES

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

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

This review covers the period of January 1, 2008, through December 31, 2010. OAS completed a prior review covering the period of January 1, 2004, to March 31, 2006. This review did not include a determination as to whether the Authority is a "public agency", and expresses no opinion or finding with respect to whether the Authority is a public agency or whether its employees are employed by a public agency.

## SUMMARY

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

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Authority's personnel and payroll procedures. OAS also reviewed the following documentation:

- Provisions of the contract and contract amendments between the Authority and CalPERS
- Correspondence files maintained at CalPERS
- BETA Council minutes and BETA Council resolutions
- Authority written labor policies and agreements
- Authority salary, wage and benefit agreements including applicable resolutions
- Authority personnel records and employee hours-worked records
- Authority 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
- Various other documents as necessary

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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OAS performed the following procedures. A description of the procedure and the related sample sizes, sample periods and applicable findings for each procedure are indicated.

- ✓ Reviewed Authority payroll records and compared the records to data reported to CalPERS to determine whether the Authority correctly reported employees' compensation.

Sample size and period: Reviewed 10 employees covering two sampled service periods - the first service period in December 2009 (12/09-1) and the second service period in June 2010 (6/10-2).

## **No Finding**

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

Sample size and period: Reviewed 10 employees in the second service period in June 2010 (6/10-2).

**See Finding 1:** The payrate that was reported to CalPERS was below the payrate that was listed in the publicly available salary schedule for the position.

- ✓ Reviewed PERS listing reports to determine whether payroll reporting elements were reported correctly.

Sample size and period: Reviewed 10 employees in the second service period in June 2010 (6/10-2).

## **No Finding**

- ✓ Reviewed the Authority's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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Sample size and period: Reviewed one temporary/part-time employee in fiscal year 2008/2009.

## **No Finding**

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

Sample size and period: Reviewed two members who retired during the review period.

## **No Finding**

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

Sample size and period: Reviewed five employees and their dependents during the review period.

## **No Finding**

# APPENDIX C

## CRITERIA

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# BETA HEALTHCARE GROUP RISK MANAGEMENT AUTHORITY

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## CRITERIA

Government Code § 20636, subdivision (a), states in part:

“Compensation earnable” by a member means the payrate and special compensation of the member.

Government Code § 20636, subdivision (b)(1), states:

“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.

# APPENDIX D

## STATUS OF PRIOR REVIEW



**FOLLOW UP ON PRIOR REVIEW FINDINGS  
BETA HEALTHCARE GROUP #1881  
PRIOR REVIEW P05-040, DATED JUNE 2006**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. Payrates not in publicly available salary schedules.	The Authority should ensure that payrates and special compensation are identified in written schedules, ordinances, or similar documents available for public scrutiny.	Similar finding noted in the current report. One sampled employee was not paid according to the publicly available salary schedule.
2. The Authority may not properly enroll members and their dependents in Health Benefits.	The Authority should ensure that all documentation supporting dependent eligibility is kept in the employee's personnel file.	Implemented. No similar observations were noted.
3. ACES security documentation in file.	The Authority should ensure that documentation for all ACES users is properly maintained in a secure location.	This item was not tested during the current review period.

**Conclusion:** The Authority did not implement all of the recommendations of our prior review dated June 2006. Specifically, the Authority reported a payrate that was lower than the salary posted on the publicly available salary schedule for one sampled employee.

# APPENDIX E

## AUTHORITY'S WRITTEN RESPONSE



December 21, 2011

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**Ms. Margaret Junker, Chief  
Office of Audit Services  
CalPERS  
P. O. Box 942701  
Sacramento, CA 94229-2701**

**Job Number: P10-030  
Employer Code 1881**

**Dear Ms. Junker:**

This notifies you that BETA Healthcare Group is in receipt of the draft report on your compliance review in relation to the BETA Healthcare Group Risk Management Authority's contract with the California Public Employees' Retirement System (CalPERS) conducted in January 2011.

We agree with the recommendation in the report and the salary schedule has been adjusted. Please submit the final report to us when completed.

If you have any other questions or need additional information please contact me at the address below.

Sincerely,

A handwritten signature in cursive script that reads "Deborah C. Verdream". The signature is written in black ink and is positioned above the typed name and title.

**Deborah C. Verdream  
Director of Human Resources  
BETA HEALTHCARE GROUP  
1443 Danville Blvd.  
Alamo, CA 94507-1911**