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August 13, 2010

Employer Code: 1072
Job Number: P09-012

Anderson Fire Protection District
Andy Nichols, Fire Chief
1925 Howard Street
Anderson, CA 96007-3340

Dear Mr. Nichols:

Enclosed is our final report on the results of the public agency review completed for the Anderson Fire Protection District. Your agency's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, 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, CPA, CIA, CIDA
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Holly Fong, Chief, EMHS, CalPERS
Honorable Board Members, Anderson Fire Protection District
Karen Ellena, District Secretary

Anderson Fire Protection District



Public Agency Review



CaIPERS
Office of Audit Services

Employer Code: 1072
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August 2010

ANDERSON FIRE PROTECTION DISTRICT

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ANDERSON FIRE PROTECTION DISTRICT

RESULTS IN BRIEF

We reviewed the Anderson Fire Protection District's (District) enrolled individuals, health and retirement contributions, member earnings and required health, retirement and Automated Communications Exchange System (ACES) documentation for employees included in our test sample. A detail of the exceptions is noted in the Risk and Mitigation Table. Specifically, the following exceptions were noted during the review:

- Uniform allowance was not reported.
- Special compensation was incorrectly reported.
- A salary adjustment was incorrectly reported.
- An incorrect work schedule code was reported.
- Retirement contributions and summary reports were not submitted timely.
- Temporary/part-time employees with CalPERS membership were not enrolled and earnings were not reported.
- Unused sick leave balance was incorrectly reported.
- Required health forms were not maintained.
- Eligibility verification for dependents enrolled in CalPERS Health Benefits Program was not provided.
- Required ACES deletion form was not submitted.

BACKGROUND

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 Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), 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.

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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.

The District was formed 118 years ago and currently serves approximately 11,000 residents within a ten square mile area including the city limits of Anderson. The District operates through three divisions: Fire Administration, Fire Operations and Training, and Fire Prevention. A Memorandum of Understanding (MOU) and an employment agreement outlined all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective November 1, 1975, to provide retirement benefits for local safety firefighters. The District later amended its contract to provide retirement benefits for local miscellaneous employees effective October 1, 1981. Additionally, the District contracted with CalPERS effective January 1, 1987, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the District's payroll reporting and enrollment processes as these processes relate to the District's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations and that prescribed reporting and enrollment procedures were followed. The on-site fieldwork for this review was conducted on August 31, 2009, through September 2, 2009.

The review period was limited to the examination of sampled records and processes from July 1, 2006, through June 30, 2009. To accomplish the review objectives, we performed the following:

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- ✓ Reviewed the contract and subsequent amendments the District had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the District had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' compensation.
- ✓ Reviewed the District's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the District's enrollment practices pertaining to temporary employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.
- ✓ Reviewed the District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the District's process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring employees.
- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health premium payment information to determine whether the payments were remitted within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the District contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the District maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

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RISK AND MITIGATION TABLE

In developing our opinions, we considered the following risks and mitigations. We also include our observations and recommendations.

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS.</p>	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of six employees over two service periods. The service periods reviewed were the month of January 2007 (1/07-0) and the first semi-monthly service period of March 2009 (3/09-1).</p> <p>The earnings reported to CalPERS were reconciled to the District's payroll records. The District accurately reported compensation to CalPERS in our sample, except for the uniform allowance.</p> <p>The District provided a uniform allowance of \$500 per year paid in two equal installments of \$250 in June and November of each year. However, the uniform allowance was not reported to CalPERS.</p> <p>Governments Code, § 20636(c)(6), states, in part, "The board shall promulgate regulations that delineate more specifically and exclusively what constitutes 'special compensation' as used in this section. A uniform allowance, the monetary value of employer-provided uniforms . . . shall be included as special compensation and appropriately defined in those regulations."</p>	<p>The District should report the uniform allowance as an item of special compensation.</p> <p>The District should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>California Code of Regulations, § 571(a)(5), defines uniform allowance as, "Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain. This excludes items that are solely for personal health and safety such as protective vests, pistols, bullets, and safety shoes."</p>	
<p>2. The District may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS for the same six sampled employees in service periods 1/07-0 and 3/09-1 and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS.</p> <p>All of the sampled employees' payrates were properly authorized and reported in accordance with publicly available information; however, we found the District added special compensation to employees' payrates and earnings when reporting to CalPERS. This issue is discussed in Risk 3.</p>	<p>None.</p>
<p>3. The District may not accurately report payroll information to CalPERS</p>	<p>We reviewed the payroll information reported to CalPERS for the sampled service periods 1/07-0 and 3/09-1 for the same six sampled employees. Our sample testing revealed that the District correctly reported the payroll information to CalPERS except for the following instances:</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p><u>Special Compensation Incorrectly Reported</u></p> <p>The District reported emergency medical technician (EMT) pay in the base payrate and regular earnings of all of its safety personnel. EMT pay should be reported separately as special compensation. As stated in Risk 2, reported base payrate and regular earnings will not match amounts listed in salary schedules if special compensation is added to the payrates.</p> <p>Government Code, § 20636, states, “(a) ‘Compensation earnable’ by a member means the payrate and special compensation of the member....(b)(1) ‘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.”</p> <p>Government Code, § 20636(c)(1), defines special compensation as, “Payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.”</p> <p>CalPERS Procedures Manual, page 71, states, “All special compensation is required to be reported separately as special compensation, as it is earned.”</p>	<p>The District should report EMT pay separately as special compensation.</p> <p>The District should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p><u>Salary Adjustment Incorrectly Reported</u></p> <p>The District incorrectly reported a retroactive salary adjustment for one sampled employee in the 1/07-0 service period. Specifically, in January 2007, the employee received a salary increase of \$445.00 per month retroactive to October 2006 (through December 2006). The employee also received a retroactive payment totaling \$20.01 for EMT pay for this same three-month period. The combined retroactive amount totaled \$1,355.01. The District incorrectly reported the retroactive payment as base payrate and regular earnings totaling \$1,355.01 in service period 1/07-0.</p> <p>The District should have reported the retroactive payment as two separate transactions. For the retroactive payment of regular earnings, contribution code 05 or 15 should have been used with the employee's new payrate, regular earnings of \$1,335.00 and the service period in which the salary increase took effect, in this case, 10/06-0. For the \$20.01 EMT retroactive payment, the District should have reported the payment separately as special compensation in each period it was earned, which was \$6.67 per month for October, November and December 2006.</p> <p>Government Code, § 20636(a), states, in part, "Compensation earnable by a member means the payrate and special compensation of the member."</p>	<p>The District should ensure retroactive salary adjustments are properly reported.</p> <p>The District should work with CalPERS ERSD to assess the impact of the incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>Government Code, § 20636(b)(1) states, in part, "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."</p> <p>Government Code, § 20630(b), states, in pertinent part, "When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid."</p> <p>CalPERS Procedures Manual, page 110, explains the appropriate method for reporting a retroactive salary adjustment. "A single contribution code 05 or 15 entry may be used to report a retroactive salary adjustment covering previous service periods. The service period should reflect the earliest service period involved in the adjustment. The transaction should have the member's new payrate and the total additional earnings and contributions for the period; i.e., report the difference in earnings and contributions."</p> <p>CalPERS Procedures Manual, page 110, explains the appropriate method for reporting special compensation. "The corresponding pay code 09 must be used with contribution code 06 or 16."</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>The District used a work schedule code of 243 for reporting the earnings of the Interim Fire Chief in service period 1/07-0. However, the Interim Fire Chief's normal work schedule averaged 173 hours worked per month. Therefore, the correct work schedule code should have been 173.</p> <p>The CalPERS Procedures Manual, page 99, defines the work schedule code as, "a 3-digit numeric code, used in calculating both employer rate and the member's retirement benefit. It identifies what you, the employer, consider to be full-time employment for employees in the same work group, such as by department or duties, but not by individual employee. Approved work schedule codes range from 34 to 60 hours per week....The work schedule code typically will not vary from report to report...."</p> <p>The following formula is used to determine the work schedule code for a full-time monthly paid employee:</p> $\frac{\text{Number of hours per week (40)} \times \text{52 weeks per year}}{12 \text{ months per year}}$ $\frac{40 \times 52}{12} = 173 \text{ work schedule code}$	<p>The District should immediately begin reporting work schedule code 173 for all employees who work an average of 173 hours per month.</p> <p>The District should work with CalPERS ERSD to assess the impact of the incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>We reviewed the payroll information for service periods 11/06-0, 3/09-1, and 6/09-2. Payroll information and contributions were submitted within required timeframes, except for the 11/06-0 service period. Retirement contributions, due December 15, 2006, were not received by CalPERS until January 3, 2007, 19 days late. The summary report, due December 30, 2006, was 3 days late.</p> <p>California Code of Regulations, § 565, states, "Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer."</p> <p>California Code of Regulations, § 565.1(a), states, "A complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers."</p>	<p>The District should develop procedures to submit contributions and payroll information in a timely manner.</p> <p>In addition, the District should work with CalPERS ERSD to assess the impact of this late payroll reporting and determine what adjustments, if any, are needed.</p>
<p>5. The District may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Excluded Employees</u></p> <p>The contract between the Board of Administration of CalPERS and the Board of Directors of the District excluded elected officials and local police from CalPERS membership. District officials were appropriately excluded from membership and the District did not employ police officers.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of six temporary/part-time employees and examined the number of hours worked in fiscal years 2006/2007, 2007/2008, and 2008/2009 to determine whether they reached or exceeded the 1,000 hour membership eligibility criterion. Our sample testing revealed the employees did not meet the eligibility criterion and were appropriately excluded from membership.</p> <p><u>CalPERS Membership Status</u></p> <p>We selected a sample of 33 temporary/part-time employees and examined the employees' CalPERS membership status. We found the following:</p> <ul style="list-style-type: none"> • 22 of the employees were not members of CalPERS. The District correctly excluded these employees from membership. • Eight of the employees were enrolled into membership by a different employer, either prior to or during the review period. No issues were noted because the employees did not work for the District during the review period subsequent to their enrollment, or worked full-time for another employer, in which case the time worked for the District would have been considered overtime. • The remaining three employees were also enrolled into membership by a different employer; however, these 	<p>None.</p> <p>The District should review its policies and procedures for evaluating temporary/part-time employees and ensure that employees who are CalPERS members are properly enrolled and earnings are accurately reported so the members receive appropriate service credit.</p> <p>The District should also work with CalPERS ERSD to assess the consequences of this non-enrollment, and determine what adjustments, if any, are needed.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>employees should have been enrolled by the District and the employees' earnings should have been reported. Two of the employees were enrolled prior to the review period, and one was enrolled during the review period. Subsequent to enrollment, the employees worked for the District during periods where they either did not work at the other agency or worked less than full-time. The District should have submitted CalPERS membership forms to notify CalPERS that the three members were employees of the District, and reported the employees' earnings to ensure the employees received the appropriate amount of service credit.</p> <p>Government Code, § 20305, states, in part, "(a) An employee whose appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months is excluded from this system unless: (1) He or she is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract."</p> <p><u>Independent Contractor</u></p> <p>We reviewed services provided in calendar year 2007 by two individuals hired by the District as independent contractors. We found one of the individuals was properly classified as an independent contractor and correctly</p>	<p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p> <p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>excluded from membership. However, the other individual, a CalPERS retired annuitant, was incorrectly classified. The retired annuitant was hired to provide the necessary professional, administrative, and managerial services required to perform the duties and responsibilities of the Fire Chief to the satisfaction of the District. Based on the duties, services and responsibilities provided as Fire Chief, we concluded the retiree was in an employee/employer relationship with the District. As a result, we reviewed the retired annuitant under Risk 6.</p>	
<p>6. The District may unlawfully employ retired annuitants.</p>	<p>We reviewed the hours worked per fiscal year by a sample of two retired annuitants. One of the two annuitants was hired as an independent contractor, but found to be an employee of the District.</p> <p>For clarification, an independent contractor is someone who contracts to do a piece of work according to his/her own methods, and is subject to his/her employer's control only as to the end product or final result of the work, and not as to the means and manner by which work is performed. Many contracts or employment agreements entered into by retired persons and employers to give the retired person status of an independent contractor, upon review by CalPERS, are found to not qualify the retired person as an independent contractor under California law. If CalPERS determines contract is not within the guidelines for an independent contractor after the retired</p>	<p>The District should submit a request for approval to CalPERS BNSD for employment of a retired person as an independent contractor. The request should be accompanied with a copy of the annuitant's contract or employment agreement prior to the retiree accepting employment. CalPERS will review the request and determine whether the retiree is properly classified to ensure the individual qualifies as an independent contractor under California contract law.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>6. The District may unlawfully employ retired annuitants. (continued)</p>	<p>person has entered into employment, the consequences of such employment is that the retired person may be illegally hired and, therefore, subject to mandatory reinstatement from retirement.</p> <p>We found during the review period that the retired annuitant did not work more than 960 hours in a fiscal year during fiscal years 2006/2007 and 2007/2008. We also found the second sampled annuitant worked less than 960 hours in a fiscal year during the review period.</p> <p>Additionally, we determined that both annuitants were not subject to a bona fide separation from employment, per Government Code, § 21220.5. As a result, we found the sampled annuitants were lawfully employed during the review period.</p>	
<p>7. The District may not appropriately report members under the proper coverage group code.</p>	<p>Our sample testing revealed that the District reported sampled individuals under the appropriate coverage group code.</p>	<p>None.</p>
<p>8. The District may not appropriately process industrial disability retirement determinations and appeals for safety members.</p>	<p>We reviewed the District's procedures for processing applications for industrial disability retirement. We found that the District had appeals procedures in place and applications for two sampled employees were processed timely.</p>	<p>None.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The District may not accurately report unused sick leave balances for retiring CalPERS members.</p>	<p>The District contracted for the provision of Government Code, § 20965, credit for unused sick leave. We selected a sample of two employees and reviewed the number of unused sick days the District certified for each employee. We found the District reported the appropriate amount of unused sick leave for one sampled employee. However, the District incorrectly reported unused sick leave for the other employee.</p> <p>Specifically, the District reported 334.5 days of unused sick leave for the other employee although District records showed the employee retired with 1,887.10 hours, or only 235.89 days of unused sick time. Furthermore, because CalPERS was unable to verify the District's certification of the employee's balance of unused sick days, no credit was given in his retirement allowance.</p> <p>Government Code, § 20965, states, "A local miscellaneous member and a local safety member, whose effective date of retirement is within four months of separation from employment with the employer which granted the sick leave credit, shall be credited at his or her retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by his or her 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</p>	<p>The District should submit an Amended Employer Certification Form (BSD-200A) and report the employee's correct number of unused sick days. In addition, the District should ensure that retiring members' unused sick leave balances are accurately reported to CalPERS.</p> <p>The District should work with CalPERS BNSD to determine the impact of this incorrect reporting and what adjustments, if any, are needed.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS BNSD as an attachment to our draft report.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The District may not accurately report unused sick leave balances for retiring CalPERS members. (continued)</p>	<p>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.”</p>	
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of six employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the District properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except for the following:</p> <p>The District did not provide copies of the marriage certificate for five of the members in the sample, nor birth certificates for one member’s two dependents. In addition, the District did not provide Declaration of Health Coverage (HB-12A) forms for the six sampled employees.</p> <p>The CalPERS Health Benefits Program Procedure Manual, page 03-03, states, “The California Public Retirement System (CalPERS), as well as the contracting public agencies have a fiduciary responsibility to manage the CalPERS Health Benefits Program in a cost-effective manner. To assure that only eligible dependents are covered, CalPERS, as well as the contracting agencies, have the right to request any documentation needed to</p>	<p>The District must ensure that the proper member and dependent enrollment documentation is on file at the District within 60 days from the date of our final report.</p> <p>Please send an email to: <i>HBB_Audit_Services@calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the District and CalPERS HBB as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>support dependent eligibility at the time of enrollment, or anytime thereafter."</p> <p>Government Code, § 22775, states, "Family member means an employee's or annuitant's spouse or domestic partner and any unmarried child, including an adopted child, a stepchild, or recognized natural child. The board shall, by regulation, prescribe age limits and other conditions and limitations pertaining to unmarried children."</p> <p>California Code of Regulations, § 599.500(k), states, in part, "Eligible means eligible under the law and this subchapter to be enrolled."</p> <p>The HB-12A form provides information on enrollment options, consequences for non-enrollment and is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes open enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the Health Benefit Plan Enrollment (HBD-12) form. The employer also must provide the employee a copy of the signed form and keep</p>	

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>the original in the employee's file.</p> <p>Government Code, § 20085, states, in part, "(a) It is unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system. (b) For purposes of this section, 'statement' includes, but is not limited to, any oral or written application for benefits, report of family relationship..., or continued eligibility for a benefit or the amount of a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make restitution to this system... for the amount of the benefit unlawfully obtained."</p>	
<p>11. The District may not contribute the appropriate health contribution amounts for active employees.</p>	<p>We reviewed the health contributions reported for March 2009. We determined that the District contributed the appropriate health contribution amount as part of the six sampled members' total monthly premium amount.</p>	<p>None.</p>

ANDERSON FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>12. The District may not remit health contributions within the required timeframe.</p>	<p>We reviewed health contribution payments for January 2007, March 2009, and June 2009 and determined that the District remitted the health contribution payments within the appropriate timeframes.</p>	<p>None.</p>
<p>13. The District may not maintain appropriate ACES security procedures.</p>	<p>We reviewed the security procedures for the District's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users. We found that reasonable security measures were maintained; however, the District did not submit a Delete "ACES User Access" (AESD-42) form for one employee no long requiring System access.</p> <p>CalPERS ACES Security procedures outlined on the CalPERS website at www.calpers.ca.gov states that an AESD-42 must be completed for each ACES user who no longer needs access to ACES or who has terminated employment from the agency and be available to CalPERS upon request. This form must be retained in a secure work site location of the employer, for two years following the request to delete ACES User access.</p>	<p>The District should immediately submit a Delete "ACES User Access" form for employees who no longer need access to ACES, or who terminated employment. Additionally, the form should be retained in a secure worksite location for two years following the deletion request.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

ANDERSON FIRE PROTECTION DISTRICT

CONCLUSION

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the District's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

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

Date: August 2010

Staff: Michael Dutil, CIA, Senior Manager

Jacqueline Conway, CPA, CIA, CGFM, Manager

Alan Feblowitz

Richard Parsons CFE, CIA

APPENDIX

DISTRICT'S WRITTEN RESPONSE



ANDERSON FIRE PROTECTION DISTRICT

1925 Howard Street. Anderson, CA 96007
Bus: (530)-378-6699 Fax: (530) 378-6697

July 20, 2010

CalPERS – Audit Services Division
Attn: Richard Parsons
400 Q Street, Room 2240
Sacramento, CA 95811

Dear Richard:

Please refer to Attachment A for Anderson Fire Protection District's (AFPD) responses to Exceptions 1 through 10 and their associated Findings resulting from the CalPERS audit of AFPD for the review period including July 1, 2006 through June 30, 2009. It is our understanding that a final audit report from your office is forthcoming.

If you have any additional questions or comments, please contact me or Secretary Karen Ellena at (530) 378-6699 or by e-mail at anichols@andersonfire.org or kellena@andersonfire.org.

Sincerely,

A handwritten signature in black ink that reads "Andy Nichols". The signature is written in a cursive, flowing style.

Andy Nichols, Fire Chief
Anderson Fire Protection District

AN: kje
Attachment

EX. 1 – Special Comp Included in Payrate and Earnings

FINDING: The District included Emergency Medical Technician pay in the base pay rate and regular earnings.

RESPONSE: Beginning with service period 06/10-1, the Anderson Fire Protection District (AFPD) began correctly reporting Emergency Medical Technician pay as Special Compensation; therefore, no longer including it in the base pay rate and regular earnings. The District agrees this was being reported incorrectly; however, the District also believes that the historical records should be left intact as the adjustments that would be required would be voluminous and do not affect service credits nor would the District owe any additional contributions to the members' accounts.

EX 2 – Uniform Allowance Not Reported

FINDING: The District did not report the value of uniforms provided to the workers of Local No. 4942.

RESPONSE: Beginning with service period 07/10-1, AFPD began reporting the value of uniforms for all employees of the District that receive uniform allowance. The District acknowledges that two former employees, _____ and _____ retired during the time covering the CalPERS three-year audit period (07/01/06 thru 06/30/09). For these two employees, the District will be working with the Employer Services Division of CalPERS to make the adjustments necessary for _____ and _____ to receive credit for their uniform allowance earned during the three years.

EX 3 – Part-time Employees Not Enrolled

FINDING: The District did not enroll certain part-time employees when eligible. The employees in question had prior CalPERS membership and contributions were still on deposit.

RESPONSE: AFPD will be working with the Employer Services Division of CalPERS to determine what adjustments, if any, are necessary to be made for the identified part-time employees of the District. Going forward, the District will be more closely monitoring the CalPERS membership status of any part-time employees.

EX 4 – ACES Documentation Missing

FINDING: The PERS-AESD-42, Delete ACES User Access Form, was not provided for one employee.

RESPONSE: Prior to the field visit of the CalPERS auditors in September of 2009, AFPD was not aware that the PERS-AESD-42 form existed or needed to be processed. As soon as this was pointed out to District personnel, a PERS-AESD-42 was processed for retired employee _____ and a copy was faxed to CalPERS on September 18, 2009.

EX 5 – Health Benefit Documentation Missing

FINDING: The required benefit forms were not provided to verify dependents' eligibility.

RESPONSE: The appropriate documentation which supports dependent eligibility such as marriage and birth certificates that AFPD has been provided by employees has been given to the CalPERS auditor for all employees of the District, with the exception of those employees that refused to produce such documents. With respect to the use of CalPERS Form HBD-12A, the District now is requiring all new employees to complete an HBD-12A which will be kept on file.

EX 6 – Retro Adjustment Incorrectly Reported

FINDING: Salary adjustment for _____ was incorrectly reported on the 01/07-0 payroll listing.

RESPONSE: Prior to March of 2008, and during the service period noted as an exception (1/07-0), AFPD's payroll reporting to CalPERS was outsourced to an independent, payroll services firm. AFPD is working with the Employer Services Division of CalPERS to obtain copies of the payroll entries within CalPERS' records. The payrate and regular earnings will be corrected upon receipt of the information needed from CalPERS.

EX 7 – Late Submission of Retirement Contributions

FINDING: Contributions and payroll information was not reported within the required timeframes.

RESPONSE: As noted in the CalPERS auditor's test results, two of the three service periods tested were submitted in a timely manner (Service period 06/09-2 and Service period 03/09-1). Both of these service periods were after the District began doing its own payroll reporting to CalPERS (first service period reported was in 03/08-1). As previously mentioned in the Response to EX 6 above, an outside firm was performing the payroll reporting to CalPERS on behalf of AFPD for the one service period that was not reported in a timely manner (service period 11/06-0).

EX 8 – Unused Sick Leave Balance Incorrectly Reported

FINDING: The District incorrectly reported the unused sick leave balance for one retiree.

RESPONSE: The internal records of the District have been corrected concerning the sick leave balance for said employee. In addition, an Amended Employer Certification was faxed to the attention of Lorrie Adame with CalPERS on June 23, 2010.

EX 9 – Incorrect Work Schedule Code

FINDING: The District used an incorrect work schedule code in reporting the earnings of one employee in service period 1/07-0.

RESPONSE: Since the District began doing its own payroll reporting to CalPERS, beginning with service period 03/08-1, the correct work schedule code 173 has been reported. Prior to this service period, and as noted in the Response to EX 6 above, an outside firm was performing the payroll reporting to CalPERS on behalf of AFPD. It is the District's understanding, however, that with either work schedule code 243 or work schedule code 173, would be credited with the maximum service credits possible to a member, that being one full year of service for each year worked. Hence, the service credits would remain the same.

EX 10 – Employee Misclassified as an Independent Contractor

FINDING: was hired as an independent contractor, when in fact, he was an employee.

RESPONSE: As noted by the CalPERS auditor, did not work the required 960 hours in one fiscal year to be eligible for reinstatement. The District does, however, acknowledge that should have been classified as an employee instead of as an independent contractor. In the future, should a similar circumstance arise, the District will classify such person as an employee and not as an independent contractor.