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April 27, 2011

Employer Code: 0137  
Job Number: P09-051

City of Santa Ana  
Robert Cortez, Interim Administrative Services Manager  
P.O. Box 1988, M-34  
Santa Ana, CA 92702

Dear Mr. Cortez:

Enclosed is our final report on the results of the public agency review completed for the City of Santa Ana. 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, Chief  
Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Darryl Watson, Chief, CASD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Don Martinez, Interim Chief, HAS, CalPERS  
Honorable Board Members, City of Santa Ana  
Francisco Gutierrez, Executive Director of Finance, City of Santa Ana  
Kathie Gonzalez, Executive Director of Personnel Finance, City of Santa Ana  
Ed Raya, Risk Manager, City of Santa Ana  
Kathleen Crook, City of Santa Ana

# Office of Audit Services



## Public Agency Review City of Santa Ana

Employer Code: 0137  
Job Number: P09-051

April 2011

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# CITY OF SANTA ANA

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# CITY OF SANTA ANA

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## RESULTS IN BRIEF

We reviewed the City of Santa Ana's (City) 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:

- Non-reportable compensation was incorrectly reported.
- Uniform allowance was not paid or reported for one sampled employee.
- Temporary/part-time employees were not enrolled in CalPERS membership.
- Retired annuitant exceeded 960-hours and was not reinstated into CalPERS membership.
- Industrial disability retirement determinations were not made timely.
- Required health enrollment forms were not maintained.
- Health contributions were not remitted timely.
- Required ACES user security agreement forms were not maintained.

## 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 Customer Account Services Division (CASD) 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 Health Account Services (HAS), 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

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# CITY OF SANTA ANA

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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 City of Santa Ana was incorporated on June 1, 1886, and operates under a Council/Manager form of government. The Council is composed of an elected Mayor and six Council members. Memoranda of Understanding (MOU) and employment agreements outline all City employees' salaries and benefits and state the terms of employment agreed upon between the City and its employees.

The City contracted with CalPERS effective July 1, 1947, to provide retirement benefits for local miscellaneous and safety employees. The City's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The City contracted with CalPERS effective January 1, 1998, to provide health benefits to all eligible employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the City's payroll reporting and enrollment processes as these processes relate to the City's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the City 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 the weeks of April 19, 2010 through April 23, 2010 and April 26, 2010 through April 30, 2010.

The review period was limited to the examination of sampled records and processes from January 1, 2007 through December 31, 2009. To accomplish the review objectives, we performed the following:

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# CITY OF SANTA ANA

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

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## CITY OF SANTA ANA

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- ✓ Determined whether the City maintained the required user security documents on file and reasonable security procedures were in place for ACES users.

# CITY OF SANTA ANA

## 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 City may not accurately report compensation to CalPERS.</p>	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of eight employees over two service periods. The service periods reviewed were the first service period of November 2008 (11/08-1) and the first service period of June 2009 (6/09-1).</p> <p>The earnings reported to CalPERS were reconciled to the City's payroll records. The City accurately reported compensation to CalPERS for the employees in our sample, except for the following instances.</p> <p><u>Non-Reportable Compensation</u></p> <p>The City paid and reported non-reportable compensation, such as union pay, park mower pay, and pool operator pay, on behalf of three miscellaneous employees in the 6/09-1 service period, and shift overlap pay on behalf of another employee in both the 11/08-1 and 6/09-1 service periods. In addition, the City included employer paid deferred compensation in a sampled employee's reported base payrate and regular earnings in the 6/09-1 service period. Union pay, park mower pay, pool operator pay,</p>	<p>The City should immediately discontinue reporting non-reportable compensation to CalPERS.</p> <p>The City should work with CalPERS CASD to assess the impact of this non-reporting and determine what adjustments, if</p>



# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>shift overlap pay, and employer paid deferred compensation do not meet the definition of “special compensation” and should not be reported to CalPERS.</p> <p>Government Code § 20636(a), states, "Compensation earnable by a member means the payrate and special compensation of the member, as defined in subdivisions (b), (c), and (g), and as limited by Section 21752.5."</p> <p>Government Code § 20636(b)(1), states, in part, "Payrate means the normal monthly rate of pay or base pay of the member...."</p> <p>Government 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."</p> <p>California Code of Regulations § 571(a), includes a list which exclusively identifies and defines special compensation items for members employed by contracting agency and school employers that must be reported to CalPERS if they are contained in a written labor policy or agreement. Union pay, park mower pay, pool operator pay, shift overlap pay and employer paid deferred compensation are not identified on the list of reportable</p>	<p>any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the City and CalPERS CASD as an appendix to our draft report.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>items of special compensation.</p> <p><u>Uniform Allowance Was Not Reported</u></p> <p>We reviewed a sample of employees from various job classifications to ensure the City reported uniforms, uniform allowances and the maintenance of uniforms as described in District’s MOU. The City correctly paid and reported uniform allowance and uniform maintenance for City employees required to wear uniforms for fire and fire management. In addition, the City paid and reported uniform allowance to correctional officers, police and miscellaneous employees. However, the City did not report uniform allowance on behalf of one sampled police management employee required to wear a uniform.</p> <p>Government Code § 20636(c)(6), states, "The board shall promulgate regulations that delineate more specifically and exclusively what constitutes ‘special compensation’ as used in this section. A uniform allowance, holiday pay, and premium pay for hours worked within the normally scheduled or regular working hours that are in excess of the statutory maximum workweek or work period applicable to the employee under Section 201 et seq. of Title 29 of the United States Code shall be included as special compensation and appropriately defined in those</p>	<p>The City should immediately begin reporting the monetary value of the purchase, rental, and maintenance of uniforms for all employees required to wear uniforms, and ensure that all special compensation is contained in a written labor policy or agreement.</p> <p>The City should work with CalPERS CASD to assess the impact of this non-reporting issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the City and CalPERS CASD as an appendix to our draft report.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The City may not accurately report compensation to CalPERS. (continued)</p>	<p>regulations."</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 for personal health and safety such as protective vests, pistols, bullets, and safety shoes."</p> <p>California Code of Regulations § 571(b), states, in part, "The Board has determined that all items of special compensation listed in subsection (a) are: 1) Contained in a written labor policy or agreement."</p>	
<p>2. The City may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS and reconciled the payrates to the City's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. The employees' salaries were properly authorized and reported in accordance with publicly available salary schedules.</p>	<p>None.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
3. The City may not accurately report payroll information to CalPERS.	We reviewed the payroll information reported to CalPERS for the sampled service periods. Our sample testing revealed that the City correctly reported the payroll information to CalPERS.	None.
4. The City may fail to or did not submit payroll in a timely manner to CalPERS.	We reviewed the payroll information for service periods 8/08-1, 11/08-1, 5/09-2 and 6/09-1 and found that payroll information and contributions were submitted within required timeframes.	None.
5. The City may not enroll all eligible employees into CalPERS membership.	<p><u>Optional Membership</u></p> <p>The City's elected officials were eligible for optional CalPERS membership. We reviewed the City's enrollment practices to determine whether the elected officials were offered optional membership. Our sample testing revealed that the City properly offered membership to elected officials; however, none of the elected officials enrolled into CalPERS membership during the review period.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of 16 temporary/part-time employees and examined the number of hours worked in fiscal years 2007/2008 and 2008/2009 to determine whether membership eligibility requirements were met, and if so, whether the employees were enrolled into</p>	<p>None.</p> <p>The City should enroll eligible employees into CalPERS membership when membership requirements are met. The City should also implement</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>CalPERS membership in a timely manner. We also reviewed CalPERS databases to determine whether the sampled employees met eligibility requirements through membership with another CalPERS agency.</p> <p>The District properly enrolled or excluded temporary/part-time employees except in one instance. In fiscal year 2008/2009, one employee met the eligibility requirement by exceeding 1,000 hours worked in the pay period that included June 26, 2009 through June 30, 2009; however, the District did not enroll the employee into CalPERS membership.</p> <p>In addition, we selected a sample of five temporary/part-time employees hired through temporary employment agencies in fiscal year 2007/2008 and determined that three of the employees exceeded 1,000 hours worked in a fiscal year and were not enrolled into CalPERS membership.</p> <p>Government Code § 20305 (a), states, in part, “An employee serving on a less than full-time basis is excluded from this system unless... (3) (B) The person works more than...1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in</p>	<p>procedures to review and monitor the number of hours worked in a fiscal year by all temporary/part-time employees.</p> <p>The City should work with CalPERS CASD to assess the impact of this non-enrollment issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the City and CASD as an appendix to our draft report.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The City may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>which...1,000 hours of service were completed.”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the City’s IRS 1099 Miscellaneous Income forms for calendar years 2008 and 2009 in order to identify employees that may be misclassified as independent contractors. The selected individuals were properly classified as independent contractors and correctly excluded from CalPERS membership.</p>	<p>None.</p>
<p>6. The City may unlawfully employ retired annuitants.</p>	<p>We reviewed the hours worked by retired annuitants in fiscal years 2007/2008 and 2008/2009. Our sample testing revealed that one retired annuitant exceeded the 960-hour threshold in fiscal year 2007/2008. However, the individual was not reinstated by the City once the 960-hour threshold was exceeded.</p> <p>We also determined that a bona fide separation from employment, per Government Code § 21220.5, was not needed as the sampled retired annuitant’s age at retirement was beyond the normal retirement age.</p> <p>Government Code § 21224, allows a retired person to serve without reinstatement from retirement or loss or interruption of benefits provided the retiree has skills needed in performing work of limited duration. This</p>	<p>The City should review all hours worked in a fiscal year by all retired annuitants and reinstate those that exceed the 960-hour threshold.</p> <p>The City should work with CalPERS BNSD to assess the impact of this membership issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the City and CalPERS BNSD as an</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
6. The City may unlawfully employ retired annuitants. (continued)	section provides for the appointments not to exceed a total for all employers of 960 hours in any fiscal year.	appendix to our draft report.
7. The City may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the City reported individuals under the appropriate coverage group code.	None.
8. The City may not appropriately process industrial disability retirement determinations and appeals for safety members.	<p>We reviewed the City’s procedures for processing applications for Industrial Disability Retirement (IDR). We found that the City had appeals procedures in place. However, five of the sampled employees did not have determinations made within the required six month timeframe in accordance with Government Code § 21157. The City did not obtain waivers for these applicants.</p> <p>Government Code § 21157, states, “The governing body of a contracting agency shall make its determination within six months of the date of the receipt by the contracting agency of the request by the board pursuant to Section 21154 for a determination with respect to a local safety member. A local safety member may waive the requirements of this section.”</p>	<p>The City should work with CalPERS BNSD to assess the impact of the untimely IDR determinations and identify what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the District and CalPERS BNSD as an appendix to our draft report.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The City may not accurately certify unused sick leave balances for retiring CalPERS members.</p>	<p>Our sample testing revealed that the City properly reported the balance of unused sick leave for the seven sampled retirees.</p>	<p>None.</p>
<p>10. The City may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of eight employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the City properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except for the following:</p> <p>The City did not maintain a copy of the Declaration of Health Coverage (HB-12A) form on file for the eight sampled employees; however, the City completed the forms prior to the completion of our on-site fieldwork.</p> <p>The HB-12A provides information on enrollment options and 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</p>	<p>The City should ensure that the proper member and dependent enrollment documentation is on file at the City for all employees enrolled in CalPERS Health Benefits Program.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the City and CalPERS CASD as an appendix to our draft report.</p>



# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The City may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>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 the original in the employee's file.</p>	
<p>11. The City may not contribute the appropriate health contribution amounts for active employees.</p>	<p>We reviewed the health contributions reported for the month of June 2009. We determined that the City contributed the appropriate health contribution amount as part of the sampled members' total monthly contribution amount.</p>	<p>None.</p>
<p>12. The City may not remit health contributions within the required timeframe.</p>	<p>We reviewed the City's payment of health benefit contributions for the months of October and November 2008, and June 2009 to determine whether contributions were paid timely. The City provided a copy of the bank statements which showed the date the funds were withdrawn from the City's account by CalPERS.</p> <p>We determined that the City remitted health contribution payments on time for November 2008 and June 2009; however, the October 2008 health contribution payment was remitted late on October 20, 2008.</p> <p>California Code of Regulations §599.515(I), states, "The contributions required of a contracting agency, along with</p>	<p>The City should ensure health contribution payments are forwarded to CalPERS no later than the 10th of each month for the month in which the contributions are due.</p>

# CITY OF SANTA ANA

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>12. The City may not remit health contributions within the required timeframe. (continued)</p>	<p>contributions withheld from salaries of its employees shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due."</p>	
<p>13. The City may not maintain appropriate ACES security procedures.</p>	<p>We reviewed the security procedures for the City'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 determined that the City utilized appropriate ACES security procedures. However, the City did not have Employer User Security Agreement (AESD-43) forms on file for five of the sampled individuals. In addition, three of these five employees no longer required ACES access and the City did not complete the Delete ACES User Access (AESD-42) forms.</p> <p>CalPERS ACES Security procedures outlined on the CalPERS website at <a href="http://www.calpers.ca.gov">www.calpers.ca.gov</a> require agencies to keep a signed copy of security documents on file for ACES users. An AESD-43 form and, if applicable, an AESD-42 form, must be completed for each employee using CalPERS on-line access and be available to CalPERS upon request. Forms must be retained in a secure work site location of the employer, for the life of the Agreement and for two years following the deactivation or</p>	<p>The City should follow appropriate procedures to ensure the security of CalPERS ACES. User security agreements should be timely completed and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements. Delete ACES Users Access forms should be completed timely and submitted to CalPERS for all employees who are no longer required ACES access.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the District and CalPERS CASD as an appendix to our draft report.</p>

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## CITY OF SANTA ANA

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<b>RISK</b>	<b>MITIGATION &amp; OBSERVATION</b>	<b>RECOMMENDATION</b>
13. The City may not maintain appropriate ACES security procedures. (continued)	termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential information is subjected to unauthorized disclosure, modification or destruction.	

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# CITY OF SANTA ANA

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## 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 City'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: April 2011  
Staff: Michael Dutil, CIA, Senior Manager  
Diana Thomas, CIDA, Manager  
Jacque Conway, CIA, CPA, Manager  
Chris Wall, Auditor

# APPENDIX A

## STATUS OF PRIOR REVIEW

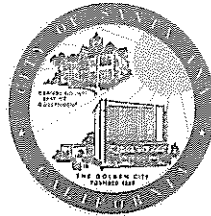
**FOLLOW UP ON PRIOR REVIEW FINDINGS  
CITY OF SANTA ANA, EMPLOYER CODE 0137  
PRIOR REVIEW 92/3-013, DATED JUNE 1993**

Prior Review Finding	Prior Review Recommendation	Status of Recommendation
Flexible benefit and deferred compensation payments incorrectly reported.	<p>The City should immediately stop reporting flexible benefit payments as compensation to CalPERS for active employees.</p> <p>The City should review the flexible benefit payments and deferred compensation reported and should correct the amount of compensation reported to CalPERS for retired employees.</p>	A similar issue was noted in the current review.
Eligible employees were not enrolled into membership.	<p>The City should establish effective procedures to monitor the hours of temporary employees and enroll them in the system when they work more than 1,000 hours in a fiscal year or meet membership requirements.</p> <p>The City should review the payroll records of all persons temporarily employed during the period covered by our review and the period following our review, and should ensure that any other employees who worked more than 1,000 hours in a fiscal year are enrolled.</p> <p>The City should examine all independent contractor agreements it entered into during the period of review and subsequently. When the agreements represent an employee rather than an independent contractor relationship with the City, the City should ensure that the contractor is enrolled in CalPERS if the contractor meets the enrollment requirements for temporary or part-time employees.</p>	A similar issue was noted in the current review.
Employer paid member contributions.	<p>The City incorrectly paid and reported employer paid member contributions as compensation.</p> <p>The City should ensure that any policy negotiated with employee groups complies with all requirements of PERL that are in place at the time the agreements are approved.</p>	Similar issues were not noted in the current review.
<p>Conclusion: The City had implemented the recommendations pertaining to employer paid member contributions of the prior report dated June 1993. However, similar issues were noted in regards to flexible benefit and deferred compensation payments incorrectly reported and eligible employees not enrolled into CalPERS membership.</p>		

# APPENDIX B

## CITY'S WRITTEN RESPONSE

MAYOR  
Miguel A. Pulido  
MAYOR PRO TEM  
Claudia C. Alvarez  
COUNCILMEMBERS  
P. David Benavides  
Carlos Bustamante  
Michele Martinez  
Vincent F. Sarmiento  
Sal Tinajero



CITY MANAGER  
David N. Ream  
CITY ATTORNEY  
Joseph Straka  
CLERK OF THE COUNCIL  
Maria Huizar

**CITY OF SANTA ANA**  
**FINANCE & MANAGEMENT SERVICES AGENCY**  
20 CIVIC CENTER PLAZA M-17  
P.O. BOX 1988 • SANTA ANA, CALIFORNIA 92702  
PHONE: (714) 647-5420 • FAX: (714) 647-5414

March 28, 2011

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

Re: City of Santa Ana Public Agency Review  
Employer Code: 0137  
Job Number: P09-051

Dear Ms. Junker,

Thank you for the opportunity to comment on the draft report on the CalPERS review of the City of Santa Ana. In general, the City of Santa Ana agrees with the recommendations in the report, with the following specific comments:

- Non-reportable compensation was incorrectly reported.  
Employer paid Deferred Compensation was corrected on 06/15/2009
- Uniform allowance was not Paid or reported for one sampled employee.  
This was corrected as of 08/01/2010
- Temporary/Part-time Employees were not enrolled in CalPERS membership  
**(part time employee)**  
The report used by the City to track part-time hours was based on the City's part-time Fiscal Year which covered the period of 06/26/2008 to 06/25/2009. Based on the report used, worked exactly 999 hours.  
The report dates have since been corrected and now track part-time hours based on the CalPERS Fiscal Year of 07/01 to 06/30.



- Retired Annuitant exceeded 960-hours and was not reinstated into CalPERS Membership.  
(part time retiree)  
The report used by the City to track Retired Annuitant hours was based on the City's part-time Fiscal Year which covered the period of 6/26/08 to 6/25/09. Based on the report used, worked exactly 960 hours.  
The report dates have since been corrected and now track part-time retiree hours based on the CalPERS Fiscal Year of 07/01 to 06/30.
  
- Industrial Disability Retirement determinations were not made timely.  
We have reviewed the 5 files cited by the audit in which the disability determinations were delayed. The City's procedures now require the staff to obtain a waiver on all cases in which a decision on disability determination cannot be made within the six month time period.
  
- Required Health Enrollment forms were not maintained.  
This was corrected at time of audit, April 2010
  
- Health Contributions were not remitted timely.  
This was corrected December 2008
  
- Required ACES user security agreement forms were not maintained.  
This was corrected at time of audit, April 2010

Thank you for your consideration regarding these comments. If you have any questions, please feel free to contact Kathleen Crook at (714) 647-6967.

Sincerely,



Robert C. Cortez  
Interim Administrative Services Manager

cc: Francisco Gutierrez, Executive Director of Finance  
Kathie Gonzalez, Executive Director of Personnel Services  
Ed Raya, Risk Manager  
Kathleen Crook, Senior Personnel Services Analyst