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August 19, 2011

Employer Code: 1345
Job Number: P10-001

Glen Ellen Fire District
Peter Van Fleet, Chief
13445 Arnold Drive
Glen Ellen, CA 95442

Dear Mr. Van Fleet:

Enclosed is our final report on the results of the public agency review completed for the Glen Ellen 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, 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 Assistant Chief, HAS, CalPERS
Robert Noorbom, President, Board of Directors, Glen Ellen FPD
Yvonne Baxter, District Administrative Assistant, Glen Ellen FPD

Office of Audit Services



Public Agency Review

Glen Ellen

Fire Protection District

Employer Code: 1345
Job Number: P10-001

August 2011

GLEN ELLEN FIRE PROTECTION DISTRICT

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GLEN ELLEN FIRE PROTECTION DISTRICT

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the Glen Ellen Fire Protection District's (District) enrolled individuals, member compensation, required health and retirement documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- The value of uniforms was not reported.
- Non-reportable overtime pay was erroneously reported.
- Work schedule codes were not reported.
- Special compensation (longevity) was incorrectly reported in base payrate and regular earnings.
- Compensation was not reported as earned.
- Eligible temporary/part-time employees were not enrolled in CalPERS membership.
- Hours worked were not available to determine membership eligibility.
- Health enrollment documentation was not on file.
- Required employer health contributions were not paid.

The pertinent sections of the Government Code and California Code of Regulations for each finding are described in greater detail under Appendix C.

A confidential list identifying the individuals mentioned in this report was sent to the District and CalPERS Customer Account Services Division (CASD) as an appendix to the draft report.

DISTRICT BACKGROUND

The Glen Ellen Fire Protection District was formed by resolution of the Board of Supervisors of the County of Sonoma as a fire protection district. The District serves taxpayers and residents in a specific unincorporated area of the County of Sonoma. The District's Rules and Regulations and employment agreements outline 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 August 16, 1983 to provide retirement benefits for local safety employees and October 1, 2007 to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The District contracted with CalPERS effective December 1, 1993, to provide health benefits to all eligible employees.

GLEN ELLEN FIRE PROTECTION DISTRICT

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the District's payroll reporting and member enrollment processes as these processes relate to the District's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from July 1, 2007 through June 30, 2010. The on-site fieldwork for this review was conducted on August 16, 2010 through August 19, 2010. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed under Appendix B.

GLEN ELLEN FIRE PROTECTION DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The District did not report the value of uniforms.

Recommendations:

The District should ensure the value of uniforms is reported for all employees required to wear a uniform.

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

Conditions:

The District's firefighters were required to wear uniforms provided by the District through a uniform apparel service. The District also provided the firefighters with T-shirts containing the District's logo. However, the District did not report the value of the uniforms as compensation to CalPERS. The District must report the value of the uniforms provided, excluding safety attire, as special compensation.

Criteria:

Government Code § 20636 (c)(6)
California Code of Regulations § 571 (a)(5)

GLEN ELLEN FIRE PROTECTION DISTRICT

Finding 2: The District erroneously reported overtime pay.

Recommendations:

The District should ensure overtime pay is not reported to CalPERS.

The District should work with CalPERS CASD to assess the impact of reporting overtime and to determine what adjustments, if any, are needed.

Conditions:

The firefighters' regular schedule required firefighters to work on holidays. The District correctly reported the holiday pay as special compensation for those employees eligible for holiday pay with the exceptions of over reporting holiday pay for one fire fighter and incorrectly reporting holiday pay for an ineligible miscellaneous employee.

Specifically, during the 5/10-0 service period, one hour of overtime pay was incorrectly reported as holiday pay for one firefighter. This firefighter's normal workweek was 10 hours a day/4 days a week. The District reported the holiday pay in May 2010 that the firefighter was scheduled to work. However, the firefighter worked one additional hour on the holiday for a total workday of 11 hours. The District incorrectly reported 11 hours of holiday pay instead of reporting the regularly scheduled 10 hours as holiday pay. The additional hour worked is considered overtime and not reportable to CalPERS.

In addition, the District incorrectly reported holiday pay for one miscellaneous employee who was not entitled to holiday pay. This employee received time off for holidays; however, worked one holiday in September 2009 as overtime. The District incorrectly reported the overtime pay as holiday pay. This employee was not in a position that required scheduled staffing without regard to holidays and therefore, this overtime compensation was not reportable.

Criteria:

Government Code § 20635, § 20636 (c)(1)
California Code of Regulations § 571 (a)(5)

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Finding 3: The District did not report work schedule codes to CalPERS.

Recommendations:

The District should ensure the appropriate work schedule code is reported for all employees.

The District should work with CalPERS CASD to assess the impact of not reporting work schedule codes and begin reporting the appropriate work schedule codes to CalPERS.

Conditions:

The District did not report work schedule codes during the three service periods reviewed (7/09-0, 9/09-0, and 5/10-0). The District should have reported a work schedule code of 173 for the safety employees who work an average of 173 hours a month and should have reported a work schedule code of 400 for the one hourly paid miscellaneous employee who worked in a position where 40 hours a week is considered full-time.

Criteria:

CalPERS Procedures Manual, page 99

GLEN ELLEN FIRE PROTECTION DISTRICT

Finding 4: The District did not correctly report compensation earnable.

- (a) Special compensation (longevity pay) was incorrectly reported in base payrate and regular earnings.
- (b) Compensation was not reported as earned.

Recommendations:

- (a) The District should begin reporting longevity pay separately as special compensation.
- (b) The District should ensure compensation is reported as earned regardless of when reported or paid.

The District should work with CalPERS CASD to assess the impact of this incorrect reporting and to determine what adjustments, if any, are needed.

Conditions:

- (a) Longevity pay was incorrectly reported in base payrate and regular earnings.*

During the 5/10-0 sampled service period, the District incorrectly included the longevity pay in the reported base payrate and regular earnings for one employee. This employee received 2.5 percent longevity pay effective October 13, 2009. The District should have reported the longevity pay separately as an item of special compensation.

- (b) Compensation was not reported as earned.*

The District incorrectly reported earnings in the wrong service period for the three service periods reviewed. For example, during service period 5/10-0, the District incorrectly reported April 2010 earnings for one miscellaneous employee, and incorrectly reported the last half of May earnings (5/15-5/31) and the first half of June earnings (6/1-6/14) for the safety employees. The District should report earnings in the service period earned regardless of when paid or reported. During the on-site fieldwork, the District stated they recently became aware of this incorrect reporting method. Subsequent to the on-site fieldwork, the District stated the issue had been resolved as the earnings are now being reported as earned.

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Criteria:

Government Code § 20630, § 20636 (b)(1)

GLEN ELLEN FIRE PROTECTION DISTRICT

Finding 5: The District did not comply with membership eligibility and enrollment requirements:

- (a) Eligible employees were not enrolled into membership.
- (b) Hours worked were not available to determine membership eligibility for one employee.

Recommendations:

(a) The District should review the membership status of all temporary/part-time employees and enroll those that have prior non-refunded membership with CalPERS, including those that are not working on a full-time basis at another CalPERS covered agency.

(b) The District should monitor hours worked in a fiscal year for non-CalPERS part-time employees to determine membership eligibility.

The District should work with CalPERS CASD to assess the impact of these membership issues and determine what adjustments are needed.

Conditions:

(a) Eligible employees not enrolled into membership.

OAS reviewed the hours worked by a sample of nine temporary/part-time employees during fiscal years 2008/2009 and 2009/2010 and determined none had met the 1,000 hour membership eligibility requirement at the District. However, OAS reviewed CalPERS' database to verify enrollment status and found seven of the sampled employees had prior CalPERS membership. Specifically, these seven sampled temporary part-time employees had prior membership, had not refunded their contributions and worked less than full-time at another CalPERS covered agency during the two fiscal years reviewed or worked less than full-time since the initial hire date with the District. The District should have enrolled these employees into membership and reported all reportable earnings since their initial membership dates. The District stated that they became aware of the membership eligibility for these employees prior to the on-site fieldwork and were in the process of determining which employees to enroll.

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(b) Hours worked not available to determine membership eligibility for one employee.

The District's Fire Chief was classified as a volunteer and received \$1,000 per month for working up to 750 hours a year. In addition, the Fire Chief worked weekend coverage on a rotational basis with a group of approximately six other weekend duty officers averaging approximately seven weekends a year. The weekend duty officers were paid \$200 per weekend worked. However, the District did not monitor or track the total hours worked for this employee in a fiscal year while performing the duties as the Fire Chief and providing weekend coverage. As a result, OAS could not determine whether the Fire Chief completed 1,000 hours of work in either fiscal year reviewed (2008/2009 and 2009/2010). The District should monitor all hours worked by non-CalPERS part-time employees and ensure that eligible employees are enrolled.

Part-time Employees' Wages – Informational Item

Related to finding 5(a), OAS found that the District provided a copy of a memo to temporary part-time employees dated November 4, 2009 concerning wages, benefits and CalPERS eligibility. Although we found no instances of part-time CalPERS members working under a reduced wage, the payrates for District part-time CalPERS members will not comply with the definition of compensation earnable once the District complies with the recommendation for finding 5(a). Below is a summarization of the memo and OAS comments.

The District offers to part time employees a total wage and benefit package equal to \$16.00 per hour worked, with the following differentiation between non-members and members:

- For part time employees who are not members of the CalPERS retirement system, or who are members but have not retained funds or service credits in a CalPERS retirement plan, the District pays a wage of \$16.00 per hour.
- For part time employees who are members of the CalPERS retirement system and have retained funds or service credits in the retirement plan but are not full time employees of an agency with a CalPERS retirement plan contract, the District is required to enroll the part time employee in the District CalPERS retirement plan. For part-time employees enrolled in the District CalPERS retirement plan during the 2009/10 fiscal year, the District pays a wage of \$13.084 per hour worked and contributes \$2.916 per hour worked to the employee retirement plan, (a tax deferred contribution equal to \$2.328 per hour for the District contribution and

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\$0.588 per hour for one half of the employee contribution). The District will withhold \$0.588 per hour worked from the employee's wages for the employee contribution to the retirement plan. For part time employees who receive retirement benefits (enrolled into CalPERS membership), wages will vary according to changes in the CalPERS retirement plan contribution.

Government Code Section 20636(b)(1) defines payrate as the normal full-time monthly rate of pay or base pay of the member paid to similarly situated members of the same group or class or employment pursuant to publicly available pay schedules. Therefore, after enrolling an eligible part-time employee into CalPERS membership per Finding 5(a), the District should ensure to report the part-time member's entire full-time equivalent base payrate to CalPERS.

Criteria:

Government Code § 20222.5, § 20305, § 20636 (b)(1)

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Finding 6: The District was not in compliance with Health Benefits Program enrollment requirements:

- (a) The District did not provide eligibility verification for one dependent enrolled in CalPERS Health Benefits Program and did not maintain a required health enrollment form on file for one member.
- (b) The District did not pay the required employer health contribution for one member.

Recommendations:

(a) 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 the final report.

(b) The District must assess the impact of not paying the required employer health contributions and determine what corrections are needed.

The District should work with CalPERS CASD to assess the impact of these health enrollment and payment issues and determine what adjustments, if any, are needed.

Conditions:

(a) Eligibility verification was not provided for a dependent enrolled in CalPERS Health Benefits Program and the required health enrollment form was not on file for one member

OAS reviewed a sample of four employees to assess the health benefits eligibility and enrollment of members and their dependents. OAS verified that the sampled employees were properly enrolled into health membership with the exception of the following:

- A marriage certificate was not available for one member who had a covered spouse.
- The required health enrollment form (HBD-12) was not on file at the District for one member.

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(b) Required employer health contribution not paid for one member

OAS reviewed the District's May 2010 payroll information to determine whether the District paid the required health contributions for four sampled members. The payroll information revealed the District paid the full health contributions for the sampled District employees. However, the District did not pay any contributions for a District board member. Specifically, the board member reimbursed the District for the entire health contribution. The District must pay the minimum contribution amount for members each month as required by law.

Criteria:

Government Code § 20085, § 22797, § 22892

California Code of Regulations § 599.500

CalPERS Public agency Health Benefits Procedures Manual, Page 03-03

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the District'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 findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared.

Respectfully submitted,

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

Date: August 2011

Staff: Michael Dutil, CIA, Senior Manager

Diana Thomas, CIDA, Manager

Terry Heffelfinger

Jodi Epperson

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APPENDIX A

BACKGROUND

GLENN ELLEN FIRE PROTECTION DISTRICT

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 that 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 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. 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.

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.

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APPENDIX B

OBJECTIVES

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OBJECTIVES

The objectives of this review were to determine:

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

This review covers the period of July 1, 2007 through June 30, 2010.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures, reviewed documents and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
 - Contracts and subsequent amendments the District had with CalPERS
 - Correspondence files maintained at CalPERS.
 - District Board minutes, Rules and Regulations, and those employment agreements provided between the District and its employees.
 - Salary, wage and benefit agreements including applicable resolutions
 - Personnel files including Personnel Action Reports.
 - District generated payroll information - Summary Reports and PERS listings.
 - Other documents used to specify the payrate, special compensation and benefits of represented and unrepresented employees.
 - Health Benefits Program enrollment and supporting documentation files.
 - Various other documents as necessary.
- ✓ 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.

Sample Size and Period: Payroll records and compensation reported to CalPERS for a sample of three employees were reviewed over service periods July 2009 (7/09-0), September 2009 (9/09-0) and May 2010 (5/10-0).

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See Finding 1: Special compensation was not reported.

See Finding 2: Overtime pay was incorrectly reported to CalPERS.

- ✓ Reviewed documents specifying payrates for sampled employees to determine whether the payrates were reported pursuant to publicly available pay schedules.

Sample Size and Period: Reviewed the District's payroll information reported to CalPERS for a sample of four employees during service periods July 2009 (7/09-0), September 2009 (9/09-0) and May 2010 (5/10-0).

No Finding.

- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.

Sample Size and Period: Reviewed accuracy in the reporting of various payroll reporting elements during service periods July 2009 (7/09-0), September 2009 (9/09-0) and May 2010 (5/10-0).

See Finding 3: Work schedule codes were not reported.

See Finding 4: (a) Longevity pay was incorrectly reported in base payrate and regular earnings.

(b) Compensation was not reported as earned.

- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.

Sample Size and Period: Reviewed payroll records for a sample of three service periods; July 2009 (7/09-0), September 2009 (9/09-0) and May 2010 (5/10-0).

No Finding.

- ✓ Reviewed the District's enrollment practices pertaining to optional members, temporary/part-time employees, retired annuitants, and independent contractors to determine whether the individuals met CalPERS membership requirements.

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Sample Size and Period: Reviewed the District's enrollment practices for a sample consisting of nine temporary/part-time employees, one non-CalPERS part-time employee, and one retired annuitant in fiscal years 2008/2009 and 2009/2010.

See Finding 5: (a) Eligible employees were not enrolled into membership.

(b) Hours worked were not available to determine membership eligibility for one employee.

- ✓ Reviewed the District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.

Sample Size and Period: Reviewed payroll records reported to CalPERS for a sample of three employees covering three sampled service periods; July 2009 (7/09-0), September 2009 (9/09-0) and May 2010 (5/10-0).

No Finding.

- ✓ Reviewed the District's process for industrial disability retirement determinations and appeals for local safety members.

No Finding.

- ✓ Reviewed the District's process for calculating and reporting unused sick leave balances for retiring members.

No Finding.

- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.

Sample Size and Period: Reviewed four employees and their dependents during the review period.

See Finding 6: (a) A marriage certificate was not available for one member who had a covered spouse and the required health benefits enrollment form (HBD-12) was not on file for one member

- ✓ Reviewed health contribution payment information to determine whether the District remitted payments within the required timeframe.

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Sample Size and Period: Reviewed health contribution payment information for four sampled employees during May 2010.

See Finding 6: b) The required employer health contribution was not paid for one member.

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

Sample Size and Period: Reviewed the user security document for the one ACES user during the review period.

No Finding.

APPENDIX C

CRITERIA

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CRITERIA

Finding 1: *Compensation Earnable Not Reported*

Government Code § 20636, subdivision (a), defines compensation earnable for a member as the payrate and special compensation of the member.

Government Code § 20636, subdivision (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.

California Code of Regulations § 571, subdivision (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.

California Code of Regulations § 571, subdivision (a)(5), defines holiday pay as:

Additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays. If these employees are paid over and above their normal monthly rate of pay for approved holidays, the additional compensation is holiday pay and reportable to CalPERS.

Finding 2: *Non-Reportable Compensation Was Reported*

Government Code § 20635, states, in part:

When compensation of a member is a factor in any computation...there shall be excluded from those computations any compensation based on overtime put in by a member....

Government Code § 20636, subdivision (c)(1), defines special compensation as:

A payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.

Finding 3: *Work Schedule Code*

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CalPERS Procedures Manual, page 99, states, 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 the employer considers 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.

The following formula is used to determine the work schedule code for a full-time monthly paid employee:

$$\frac{\text{Number of hours per week} \times 52 \text{ weeks per year}}{12 \text{ months per year}}$$

$$\frac{40 \times 52}{12} = 173 \text{ Work Schedule Code}$$

For hourly employees who work 40 hours per week report a work schedule code of 400.

Finding 4: Base Payrate and Regular Earnings

Government Code § 20636, subdivision (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, pursuant to publicly available pay schedules.

Government Code § 20630, subdivision (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.

Finding 5: Membership Eligibility and Enrollment Non-compliance

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 by a provision of a contract....(3)(B) The person completes 125 days, if employed on a per diem basis or, if employed on other than a per diem basis, completes 1,000 hours within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay

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period of the month following the month in which 125 days or 1,000 hours of service were completed.

Government Code § 20222.5, subdivision (a), states:

The board may, during the course of an audit, require each state agency...contracting agency, to provide information or make available for examination or copying at a specified time and place, or both, books, papers, any data, or records, including, but not limited to, personnel and payroll records, as deemed necessary by the board to determine the correctness of retirement benefits, reportable compensation, enrollment in, and reinstatement to this system.

Finding 6: Health Benefits Program Non-compliance

California Code of Regulations § 599.500, contains definitions that apply to the Public Employees' Medical and Hospital Care Act, including the following pertinent provisions:

(f) "Enroll" means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing to be enrolled in a health benefits plan...

(k) "Eligible" means eligible under the law and this subchapter to be enrolled...

Government Code § 22797, states:

The board or an authorized representative may perform audits of each employer and may, at a specified time and place, require the employer to provide information or make available for examination and copying books, papers, data, and records, including, but not limited to, personnel and payroll records, as deemed necessary by the board to determine compliance with the provisions of this part. The information obtained from an employer shall remain confidential.

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

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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.

Government Code § 22892, subdivision (a), states, in part:

The employer contribution of a contracting agency shall begin on the effective date of enrollment and shall be the amount fixed from time to time by resolution of the governing body of the agency....

Government Code § 22892, subdivision (b)(1), states, in part:

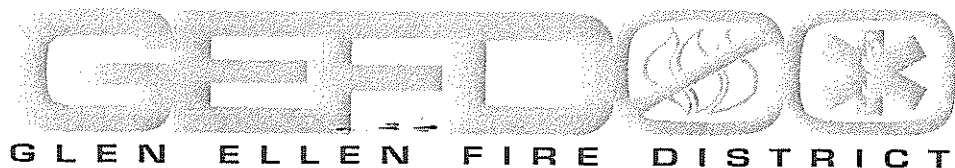
The employer contribution shall be an equal amount for both employees and annuitants, but may not be less than the following.... (b)(2) Commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any change in the medical care component of the Consumer Price Index and shall be rounded to the nearest dollar.

CalPERS Public Agency Health Benefits Procedure Manual, Page 03-03, states, in part, "To assure that only eligible dependents are covered, CalPERS, as well as the contracting agencies, have the right to request any documentation needed to support dependent eligibility at the time of enrollment, or any time thereafter... All supporting documentation should be kept in the employee's personnel file."

CalPERS Circular Letter #600-009-09 specified the minimum employer contribution for active members of contracting agencies in 2010 was \$105.00.

APPENDIX D

DISTRICT'S WRITTEN RESPONSE



July 13, 2011

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

Attn: Margaret Junker, Chief

Re: Draft compliance review of Glen Ellen Fire Protection District contract with CalPERS
Audit Date: August 16, 2010, Employer Code 1345

Dear Ms. Junker:

Glen Ellen Fire Protection District Board President Mr. Robert Norrbom has requested that I provide the following response to your Draft Audit document. This response refers directly to the findings of your report dated June 24, 2011 received in our office on July 5, 2011.

Finding 1: the District did not report the value of uniforms.

Response: We agree with this finding.

Discussion: Our uniforms, with the exception of cotton Tee shirts, are considered safety gear by virtue of their Nomex construction and/or acceptable emergency response use. We accept CalPERS recommendations regarding this finding.

Request for information: How far back in time are we required to search for these costs and how will the corrections be implemented?

Finding 2: The District erroneously reported overtime pay.

Response: We agree with this finding.

Discussion: The two separate incidents cited are unintentional errors resulting from a lack of understanding of the overtime reporting rules. Overtime reporting processes have been

corrected. We accept CalPERS recommendations regarding this finding but are unclear as to required further-District action.

Request for Information: We assume that CalPERS will act to adjust the incorrect reporting. Please advise us if further District action is needed.

Finding 3: The District did not report work schedule codes to CalPERS.

Response: We agree with this finding.

Discussion: We were unaware that work schedule codes existed. We now understand that these codes exist and have been using the appropriate codes since the August 2010 audit. We accept CalPERS recommendations regarding this finding.

Finding 4: The District did not correctly report compensation earnable.

- (a) Special compensation (longevity pay) was incorrectly reported in base payrate and regular earnings.
- (b) Compensation was not reported as earned.

Response: We agree with this finding.

Discussion of Finding 4(a): We accept CalPERS recommendations regarding this finding. District reporting processes have not yet been corrected. The District has a single employee who has earned longevity pay. That special compensation began, as indicated in the CalPERS report, on October 13, 2009 and continues to the present.

Request for Information on Finding 4(a): We require help in determining a way to correct this issue.

Discussion of Finding 4(b): Since July, 2010 compensation has been reported as earned. We believe that this Finding issue has been resolved.

Finding 5: The District did not comply with membership eligibility and enrollment requirements.

- (a) Eligible employees were not enrolled into membership.
- (b) Hours worked were not available to determine membership eligibility for one employee.

Response to Finding 5(a): We agree with this finding with the reservations discussed below.

Discussion of finding 5(a): The District queried each part time employee regarding membership in CalPERS, (using form AESD 139 as instructed by CalPERS), and whether retirement funds had been retained within the CalPERS system at the time we became aware that the District was required to enroll qualifying part time employees. Response of the part time employees to our query was limited and incomplete. The District then, (prior to the August, 2010 audit), requested from CalPERS information and processes by which the membership issues could be resolved. To date we believe that the information received has been insufficient to proceed with resolution of membership issues. We look forward to working with CalPERS to resolve these issues.

Discussion of Informational Item regarding finding 5(a): It was and remains the District's desire to compensate each part time District employee equally in total wage and benefits. With that objective in mind, a wage and benefit system was developed in which the wage and retirement benefit paid for CalPERS eligible part time employees, was equal to the wage and benefit paid to non CalPERS eligible part time employees. The proposed system was reviewed by District legal counsel who advised the District that the plan complied with labor law. District legal counsel believe that because not all employees are eligible to be CalPERS members, the Public Employee Retirement Law creates a separate class of employees, distinct from the class of employees who are ineligible to be CalPERS members. This District position represented by the wage and benefit system has not changed.

Response to finding 5(b): We agree with this finding.

Discussion of finding 5(b): The District Fire Chief position is considered to be a part time position for which, prior to the CalPERS audit, time records were not kept. Time records for the Chief position have been maintained since the audit. The time records are available for CalPERS review. The time records indicate that the position is, in fact, a part time position requiring less than 1,000 hours per year and less than 19 hours per week. (Volunteer on-call time by the Chief Officer for participation in the week end duty officer program is not considered to equate to work time.)

Finding 6: The District was not in compliance with Health Benefits program enrollment requirements:

- (a) The District did not provide eligibility verification for one dependent enrolled in CalPERS Health Benefits Program and did not maintain a required health enrollment form on file for one member.
- (b) The District did not pay the required employer health contribution for one member.

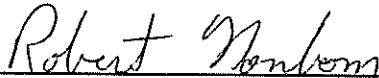
Response to Finding 6: We agree with this finding.

Discussion of Finding 6(a): Eligibility documentation for the one dependent enrolled in CalPERS health Benefits Program is now on file. Enrollment information was reported to CalPERS by phone and the District was advised that further paperwork was not required. The Health enrollment form, and the CalPERS acknowledgement of enrollment, (effective date February 1, 2006), for the other member is now on file.

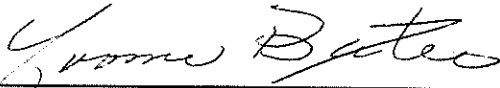
END OF RESPONSE



Peter Van Fleet, Chief of Department



Robert Norrbom, President, Board of Directors



Yvonne Baxter, District Administrative Assistant

Cc district Board of Directors