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February 7, 2011

Employer Code: 0441
Job Number: P10-015

Greater Vallejo Recreation District
Shane McAfee, General Manager
395 Amador Street
Vallejo, CA 94590

Dear Mr. McAfee:

Enclosed is our final report on the results of the public agency review completed for the Greater Vallejo Recreation 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
Don Martinez, Interim Chief, EMHS, CalPERS
Honorable Board Members, Greater Vallejo Recreation District
Romi Selfaison, Finance Director, Greater Vallejo Recreation District
Penny Harman, Accounting Specialist, Greater Vallejo Recreation District

Greater Vallejo Recreation District



Public Agency Review



Office of Audit Services

Employer Code: 0441
Job Number: P10-015

February 2011

GREATER VALLEJO RECREATION DISTRICT

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GREATER VALLEJO RECREATION DISTRICT

RESULTS IN BRIEF

We reviewed the Greater Vallejo Recreation 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:

- Salary adjustments were not reported correctly.
- An incorrect work schedule code was reported for one sampled employee.
- Temporary/part-time employees were not enrolled into membership.
- An industrial disability retiree working in a permanent part-time position was not reinstated.
- Required health coverage forms were not on file.

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.

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.

GREATER VALLEJO RECREATION DISTRICT

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 is a special service district that has served Vallejo residents since 1944. As a special service district, it operates separately but in partnership with the City of Vallejo. The District manages over 1,000 acres of public land and operates 25 public parks, 4 community centers and an Olympic size swimming pool. Memoranda of Understanding (MOU) and an employment agreement outline employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective January 1, 1961, to provide retirement benefits for miscellaneous employees. The District also contracted with CalPERS to provide health benefits to eligible employees effective February 1, 2006.

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, 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 September 15, 2010, September 16, 2010 and September 23, 2010.

The review period was limited to the examination of sampled records and processes from January 1, 2007 through June 30, 2010. To accomplish the review objectives, we performed the following:

- ✓ 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.

GREATER VALLEJO RECREATION DISTRICT

- ✓ 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 for the sampled employees 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 the District'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 District's classification of employees to determine whether the District reported employees in the appropriate coverage groups.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.

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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 11 employees over two service periods. The service periods reviewed were the second payroll in December 2009 (12/09-4) and the first payroll in June 2010 (6/10-3).</p> <p>The earnings reported to CalPERS were reconciled to the District's payroll records. The District accurately reported compensation to CalPERS for the employees in our sample.</p>	<p>None.</p>
<p>2. The District 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 District's public salary information to determine whether payrates for the 11 sampled employees were properly authorized and reported to CalPERS. Payrates were reviewed for service periods in which the sampled employees received salary increases. Our sample testing revealed the District correctly reported payrates for the sampled employees in accordance with publicly available salary schedules.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information reported to CalPERS in service period 6/10-3. Payroll information consisted of coverage group codes, work schedule codes, pay codes, contribution codes and service period types. We also reviewed the accuracy of payroll information, such as payrate, earnings, and special compensation reported in the service periods in which the 11 sampled employees received salary increases. Our sample testing revealed that the District accurately reported payroll information to CalPERS, except in the following instances:</p> <p><u>Salary Increases Incorrectly Reported</u></p> <p>The District incorrectly reported salary increases for three sampled employees. Specifically:</p> <ul style="list-style-type: none"> • One employee received a general pay increase effective July 1, 2008 with an approved payrate of \$6,187.88. However, the District reported a single payroll entry indicating a payrate of \$6,158.00 in service period 7/08-3. The District should have reported the employee's payrate and earnings in two separate payroll entries for the service period: one indicating the old payrate and earnings and a second indicating the new payrate and earnings. 	<p>The District should report salary increases correctly to ensure that members' payrate and earnings are accurately documented in CalPERS member accounts.</p> <p>The District should not report special compensation unless the compensation meets the definition listed in the California Code of Regulations, § 571.</p> <p>The District should work with</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<ul style="list-style-type: none"> • A second employee's merit increase was approved September 2, 2008, effective retroactively to the 8/08-4 service period. The new approved monthly payrate was \$9,656.73. However, the District erroneously reported a payrate of \$9,285.31 and an additional \$119.98 as special compensation for the 8/08-4 service period. The District should have reported the new payrate and additional earnings earned in prior service periods as a retroactive salary adjustment. • A third employee received a general pay increase effective in service period 7/08-3. The new approved payrate was \$7,215.87; however, the District reported a payrate of \$7,465.87 for service period 7/08-3, which exceeded the salary schedule by \$250. The District stated the excess \$250 occurred due to a payroll data entry error. We reviewed the District's payroll register for service period 7/08-3, and verified that the payrate over-reporting of \$250 was not paid monetarily to the individual, thus confirming the payroll reporting error. The District should have reported the payrate of \$7,215.87. <p>Government Code, § 20636(b)(1), states "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a</p>	<p>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 employees 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>full-time basis during normal working hours, pursuant to publicly available pay schedules.”</p> <p>Government Code, § 20636(c)(1), states, “Special compensation of a member includes a payment received for special skills, knowledge, abilities, work assignments, workdays or hours, or other work conditions.”</p> <p>CalPERS Procedures Manual, page 104, explains, "If a person receives a salary increase or decrease during the current service period, both pay rates must be reported. This will require two line entries, reporting the proper amount earned under each pay rate."</p> <p>CalPERS Procedures Manual, page 110, explains a retroactive salary adjustment as, "An entry for reporting contributions based on earnings received because of 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 pay rate and the total additional earnings and contributions for the period: i.e., report the difference in earnings and contributions."</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>Incorrect Work Schedule Code Reported</u></p> <p>The District reported an incorrect work schedule code for one full-time monthly paid employee who worked 35 hours per week. The work schedule reported on the 6/10-3 CalPERS payroll listing indicated work schedule code 173, which corresponded to a full-time monthly paid employee working 40 hours weekly. The work schedule reported to CalPERS for the employee should have been 152.</p> <p>The work schedule code is a 3-digit numeric code used in calculating both the employer rate and the member's retirement benefit. The work schedule code 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. The following formula is used to determine the work schedule code for a full-time monthly paid employee working 35 hours per week:</p> $\frac{\text{Number of hours per week (35)} \times 52 \text{ weeks per year}}{12 \text{ months per year}}$ $\frac{35 \times 52}{12} = 152$	<p>The District should begin reporting work schedule code 152 for the full-time monthly paid employees who work 35 hours per week.</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 employee 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>4. The District may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Excluded Employees</u></p> <p>The contract between the CalPERS Board of Administration and the District’s Board of Directors excluded safety employees from membership. The District appropriately did not enroll safety employees during the review period.</p> <p>The District’s contract also excluded, “Employees serving under a temporary, part-time, or emergency appointment, where such appointment does not constitute permanent and or career employment.” However, Government Code, § 20305, superseded this contract exclusion effective January 1, 1975. Therefore, the temporary, part-time, or emergency appointment contract exclusion was no longer valid. It was noted in CalPERS database that communication with the District in 2003 and 2008 clarified that the law superseded the contract exclusion.</p> <p><u>Contract Exclusion Erroneously Applied</u></p> <p>During the onsite fieldwork, it was determined that the District was still applying the superseded contract exclusion to all part-time employees. Thus, the District had not monitored the hours worked by part-time employees. We requested the hours worked by all part</p>	<p>The District should work with CalPERS ERSD to determine whether past or currently employed temporary/part-time employees met membership criteria.</p> <p>The District should evaluate the time base and tenure of all part-time hires to determine whether any employee qualified for CalPERS membership upon hire.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>time employees for fiscal years 2008/2009 and 2009/2010. The District provided a list of 308 part time employees, some of which had hire dates prior to the review period. One sampled employee's hire date was as early as 1999.</p> <p>We reviewed the hours worked in fiscal years 2008/2009 and/or 2009/2010 for a sample of 17 part-time employees to determine whether the employees exceeded the 1,000 hour membership eligibility requirement. Specifically:</p> <ul style="list-style-type: none"> • In fiscal year 2008/2009, ten part-time employees were reviewed. We found eight employees exceeded the 1,000 hour membership eligibility requirement and were not brought into membership. • In fiscal year 2009/2010, seven part-time employees were reviewed. We found six employees exceeded the 1,000 hour membership eligibility requirement and were not brought into membership. <p>We also reviewed a sample of 22 part-time employees to determine whether they were existing CalPERS members. We reviewed the sampled employees' timesheets and CalPERS database and found that two part-time employees were not brought into CalPERS membership timely. Specifically:</p>	<p>In addition, the District should monitor the hours worked by part-time employees and enroll employees into CalPERS membership when they reach 1,000 hours worked in a fiscal year.</p> <p>The District should work with CalPERS ERSD to assess the impact of not enrolling the employees and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<ul style="list-style-type: none"> • One individual, hired by the District as a part-time employee on August 26, 1990, was given full-time employment and brought into CalPERS membership effective February 1, 2002. However, during the part-time employment with the District, the employee became a CalPERS member with another CalPERS covered agency effective October 29, 1990. Employment with the other CalPERS covered agency was not full-time. Therefore, some earnings were reportable for the time worked with the District subsequent to the employee's membership date of October 29, 1990. • The District hired another part-time employee on February 10, 1999. The employee became a member with another CalPERS covered agency effective December 16, 1999. The employee separated from the other CalPERS agency on March 14, 2000. The employee did not refund contributions from CalPERS. Therefore, the District should have brought the employee into CalPERS membership on the date of hire and reported all earnings to CalPERS. <p>Government Code, § 20305(a), states, in part, "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:</p>	

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>(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. (2) His or her position requires regular, part-time service for one year or longer for at least an average of 20 hours a week, or requires service that is equivalent to at least an average of 20 hours a week for one year or longer, unless he or she elects membership pursuant to Section 20325. (3) His or her employment is, in the opinion of the board, on a seasonal, limited-term, on-call, emergency, intermittent, substitute, or other irregular basis, and is compensated and meets one of the following conditions: (A) The appointment or employment contract does not fix a term of full-time, continuous employment in excess of six months, but full-time employment continues for longer than six months, in which case membership shall be effective not later than the first day of the first pay period of the seventh month of employment. (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 period of the month following the month in which 125 days or 1,000 hours of service were completed....(C)(7)(b) This section shall supersede any contract provision excluding persons in any temporary or seasonal employment basis and shall</p>	

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>apply only to persons entering employment on and after January 1, 1975. Except as provided in Section 20502, no contract or contract amendment entered into after January 1, 1981, shall contain any provision excluding persons on an irregular employment basis.”</p> <p>Government Code, § 20044, defines a fiscal year as, “Any year commencing on July 1st and ending with June 30th.”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the District’s IRS 1099 Miscellaneous Income forms for calendar years 2008 and 2009 in order to identify employees that may be misclassified as independent contractors. No individuals met our selection criteria for reviewing independent contractors.</p>	<p>None.</p>
<p>5. The District may unlawfully employ retired annuitants.</p>	<p>We identified one retired annuitant employed by the District during the review period. The individual had retired on an industrial disability retirement. Review of related records showed the retiree was hired into a permanent part-time position in March 2003. The District indicated the retiree worked 1,371.50 hours in fiscal year 2007/2008, 1,354.25 hours in fiscal year 2008/2009, and 1,369 hours in fiscal year 2009/2010. Thus, the retiree exceeded the 960 hour threshold in each of the three fiscal years. Neither the District nor the retired annuitant had</p>	<p>The District should obtain approval for an industrial disability retiree to be employed. Upon approval, the District should monitor the hours worked by a retired annuitant in a fiscal year so that the hours do not exceed 960.</p> <p>The District should work with</p>

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may unlawfully employ retired annuitants. (continued)</p>	<p>submitted a request to work while receiving disability retirement benefits per Government Code, § 21228. Therefore, we determined the District had not lawfully employed the sampled retired annuitant during the reviewed period.</p> <p>Government Code, § 21224(a), states, in part, "A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by the appointing power of a state agency or public agency employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing work of limited duration. These appointments shall not exceed a total for all employers of 960 hours in any fiscal year, and the rate of pay for the employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties."</p> <p>Government Code, § 21228, states, in part, "A person retired for disability who has not attained the mandatory age for retirement applicable to persons in the employment in which he or she will be employed, and whom the board finds not disabled for that employment, may be employed by any employer without reinstatement</p>	<p>CalPERS BNSD to assess the impact of this issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the retired annuitant mentioned in this section of the report has been sent to the District and CalPERS BNSD as an appendix to our draft report.</p>

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may unlawfully employ retired annuitants. (continued)</p>	<p>from retirement in a position other than that from which he or she retired or a position in the same member classification. His or her disability retirement pension shall be reduced during that employment to an amount that, when added to the compensation received, shall equal the maximum compensation earnable by a person holding the position that he or she held at the time of his or her retirement."</p> <p>The CalPERS publication titled "Employment After Retirement" explains industrial disability retirees' eligibility to work for a CalPERS employer in a permanent capacity. Page 14 of the publication states, "Under Government Code Section 21228, industrial disability retirees may seek permanent employment while receiving retirement benefits with CalPERS approval. However, certain restrictions apply. If you are an industrial disability retiree you may apply to work in a permanent part-time or full-time position with a CalPERS employer while receiving your retirement benefits. You must submit the <i>Request to Work While Receiving Disability/Industrial Disability Retirement Benefits</i> form and the <i>Physical Requirements of Position/Occupational Title</i> form located in the back of this publication and all required documents. You must have CalPERS written approval before beginning employment. The position and required duties must be significantly</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may unlawfully employ retired annuitants. (continued)</p>	<p>different than the position from which you retired. For example, the position should not include duties or activities you were previously restricted from performing at the time of retirement. If you are approved to work you will be required to report your earnings to CalPERS."</p> <p>The CalPERS Procedure Manual, page 223, states, "The Board may approve CalPERS re-employment without reinstatement for a member who is receiving a disability retirement allowance and who is offered a specific job in a position that is significantly different from which the member retired. Such employment cannot begin prior to the Board's approval (G.C. section 21228). To request reemployment approval, the retiree must submit a written request specifying reemployment under Government Code, § 21228; letter of intent to hire from the prospective employer; current copy of the job description for the prospective position; current report from the treating physician stating that the job description was reviewed, the member was examined and found able to fully perform the tasks of the job description without limitation or restrictions. Upon approval of the reemployment, the retiree must report monthly earnings to CalPERS as the disability retirement pension is subject to an earnings limit for as long as the employment continues."</p>	

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>6. The District may not accurately certify unused sick leave balances for retiring CalPERS members.</p>	<p>Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the District. Our testing revealed that the District properly reported the balance of unused sick leave for three sampled retirees.</p>	<p>None.</p>
<p>7. The District may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of five employees to assess the health benefits eligibility and enrollment of employees and their dependents. Our sample testing revealed that the District properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program. However, the District did not have the required Declaration of Health Coverage (HB-12A) forms on file. Specifically, we found that completed HB-12A forms were not on file for all of the sampled employees who had either enrolled, declined to enroll, or made changes to their health coverage on or after January 1, 1998.</p> <p>The HB-12A is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA) and provides information on enrollment options and consequences for non-enrollment. Beginning 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</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 employees mentioned in this section of the report has been sent to the District and CalPERS HBB as an appendix to our draft report.</p>

GREATER VALLEJO RECREATION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
7. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)	benefits. Employers must provide the HB-12A at the time the employee requests enrollment or with the HBD-12 form. Employers must also provide the employee a copy of the signed form and keep the original in the employee's file.	

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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 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: February 2011

Staff: Michael Dutil, CIA, Senior Manager
Jacque Conway, CPA, CIA, CGFM, Manager
Nancy Sayers
Kelly Dotters Rodriguez

APPENDIX

DISTRICT'S WRITTEN RESPONSE



GREATER VALLEJO RECREATION DISTRICT

Board of Directors
Dennis Albright
Liat Meitzenheimer
Michael Palmaffy
William Pendergast III
Gary Salvadori
General Manager
Shane McAfee

395 Amador Street, Vallejo, CA 94590-6320 • 707-648-4600 • FAX 707-648-4616

January 31, 2011

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

Dear Ms. Junker:

I have received the draft agency review for the Greater Vallejo Recreation District for January 2011. RE: Employer Code 0441, Job Number P10-015 We look forward to working with you and CalPERS to remedy any short comings and ensure that we follow all directives.

My comments / response will follow below.

Sincerely,

Shane McAfee, General Manager
Greater Vallejo Recreation District

Risk #3. The District may not accurately report payroll information to CalPERS

CalPERS Recommendation: The District should report salary increases correctly to ensure that members' pay rate and earnings are accurately documented in CalPERS member accounts.

GVRD Response: Agree, payroll staff will continue training in all payroll areas, and will report payroll increases correctly.

Mission Statement:

Building community and enhancing quality of life through people, parks and programs.

Website: www.gvrd.org

CalPERS Recommendation: The District should not report special compensation unless the compensation meets the definition listed in the California Code of Regulations, #571.

GVRD Response: Agree, District will not report special compensation unless it meets the required conditions.

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

GVRD Response: Agreed.

CalPERS Recommendation: The District should begin reporting work schedule code 152 for the full-time monthly paid employees who work 35 hours per week.

GVRD Response: Agreed

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

GVRD Response: Agreed

Risk #4. The District may not enroll all eligible employees into CalPERS membership.

CalPERS Recommendation: The District should work with CalPERS ERSD to determine whether past or currently employed temporary / part time employees met membership criteria.

GVRD Response: The District staff employed in 1975 when the government code was changed is not available to ask why the District continued to exclude part time. The current staff believed that the exclusion was still valid. At the CalPERS Education Forum in Sacramento as well as a training put on by CalPERS in Vallejo in 2003, District staff members questioned the exclusion and were told that it was still valid, and that our District was one of only 61 entities in the state who still had this exclusion.

The findings in the 2011 Agency Review state that there was communication initiated by the District to CalPERS about the exclusion in 2003 and 2008 which clarified the law. The H.R. manager for GVRD recalls that when she questioned CalPERS about the exclusion, she was told that "the exclusion would be removed when the contract is renewed." This led staff to believe that the exclusion would continue in effect until there was a change in the contract, because the exclusion had not been removed when the District amended its contract to change the

retirement formulas when the military service credit was added. GVRD respectfully requests copies of the communication provided to GVRD by CalPERS concerning the District's exclusion dated 2003 and 2008, as this communication is not in GVRD's files.

GVRD staff also used the Educational Forums to speak face to face with CalPERS personnel. While there is no documentation to support the conversations, the question of hiring former CalPERS members was asked and answered that because of the District's exclusion, it did not apply. We understand that not knowing the rules is not an excuse, CalPERS has a deeper knowledge of the rules and we rely on that knowledge and direction from CalPERS to insure we comply. The findings regarding our part time staff including the retired annuitant are a result of the miscommunication and misunderstanding by both CalPERS and the District staff in regard to the exclusion.

GVRD will work with CalPERS ERSD to determine whether past or current employees met the membership criteria.

CalPERS Recommendation: The District should evaluate the time base and tenure of all part time employees to determine whether any employee qualified for CalPERS membership upon hire.

GVRD Response: GVRD will evaluate the whether employees were CalPERS members upon hire. It would be impossible for GVRD to determine whether an employee was eligible to enroll in CalPERS upon hire, unless they were already actually a member of CalPERS.

CalPERS Recommendation: For employees not qualifying for membership at date of hire, the District should monitor the hours worked by part-time employees and enroll employees into CalPERS membership when they reach 1,000 hours worked in a fiscal year.

GVRD Response: Agreed, GVRD has already implemented a procedure to monitor employees hours worked in a fiscal year. From this time forward GVRD will enroll those employees that exceed 1,000 hours in a fiscal year.

CalPERS Recommendation: The District should work with CalPERS ERSD to assess the impact of not enrolling the employees and determine what adjustments, if any, are needed.

GVRD Response: Please see response to the 1st recommendation to risk #4. GVRD will work with ERSD.

Risk #5. The District may unlawfully employ retired annuitants.

CalPERS Recommendation: The District should obtain approval for an industrial

disability retiree to be employed. Upon approval, the District should monitor the hours worked by a retired annuitant in a fiscal year so that the hours do not exceed 960.

GVRD Response: Based on the exclusion mentioned in #4 above that states, "Employees who are serving under a temporary, part time or emergency appointment, when such appointment does not constitute permanent and / or career employment", the employee has worked on a part time basis. Guidance and consulting with CalPERS at conferences led GVRD H.R. staff to believe that the part time staff was excluded from membership and because of the exclusion could hire former CalPERS annuitant on a part time basis and not affect their status. GVRD agrees, and is monitoring the hours of the employee to ensure that the employee does not exceed 960 hours.

In addition, GVRD has now authorized an amendment to the contract with CalPERS to remove the exclusion. This was done effective October 18, 2010.

CalPERS Recommendation: The District should work with CalPERS BNSD to assess the impact of this issue and determine what adjustments, if any, are needed.

GVRD Response: GVRD will work with CalPERS BNSD on this issue.

Risk #7. The District may not properly enroll eligible employees and their dependents in health benefits.

CalPERS Recommendation: 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.

GVRD Response: The District has HB-12 forms on file. GVRD will update the files and complete the HB-12A forms also. While completing the HB-12A forms GVRD will update the CalPERS records with the social security numbers of all dependents.

CalPERS Recommendation: Please send an email to: lbb_audit_services@CalPERS.ca.gov once the requested documentation is on file.

GVRD Response: Agreed.