

# Ophir Hill Fire Protection District



## Public Agency Review



Office of Audit Services

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# OPHIR HILL FIRE PROTECTION DISTRICT

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## RESULTS IN BRIEF

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

- Special compensation (uniform allowance and Fair Labor Standards Act premium pay) was not reported.
- Regular earnings were under reported.
- Non-reportable compensation (health plan allowance, vacation cash-out, and floating holiday pay) was reported.
- Special compensation (holiday pay) was incorrectly reported in payrate and regular earnings.
- Incorrect payrates were reported.
- Retroactive salary adjustment was incorrectly reported.
- Incorrect work schedule code was reported.
- Eligible employees were not enrolled into CalPERS membership.
- Required health enrollment forms were not maintained.
- Eligibility verification for one dependent enrolled in CalPERS Health Benefits Program was not provided.
- Required ACES user security agreement was 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

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to the members and employers that participate in the CalPERS health benefits program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

The Ophir Hill Fire Protection District was organized in 1956 and established in September 1963 to provide for fire prevention and suppression, and rescue services in the Cedar Ridge area of Nevada County. The District's Policy Manual outlines all District employees' benefits and states the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective September 7, 1989, to provide retirement benefits for local safety (fire) and miscellaneous employees and to exclude elective officials and local safety (police) employees. The District's current contract amendment identifies the length of the final compensation period as three years for all coverage groups. The District contracted with CalPERS effective July 1, 1993, to provide health benefits to all employees.

## **SCOPE**

As part of the Board approved plan for fiscal year 2008/2009, 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 June 15, 2009 through June 16, 2009 and June 29 through June 30, 2009.

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The review period was limited to the examination of sampled records and processes from January 1, 2006 through December 31, 2008. 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.
- ✓ Interviewed key staff members to obtain an understanding of the District's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the District's payroll register with the data reported to CalPERS to determine whether the District correctly reported employees' compensation.
- ✓ Reviewed the District's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the District's process for reporting payroll to CalPERS to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed reported payroll to determine whether the payment of contributions and the filing of payroll reports were submitted within the required timeframes.
- ✓ Reviewed the District's enrollment practices pertaining to temporary/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 process for industrial disability retirement determinations and appeals for local safety members.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances for retiring employees.
- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health premium payment information to determine whether the payments were remitted within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the District contributed the correct employee/employer contribution amounts.

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

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## RISK AND MITIGATION TABLE

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

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS.</p>	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of five employees over four service periods. The service periods reviewed were July 2008 (7/08-6) and December 2008 (12/08-6) for safety employees and the second service period of July 2008 (7/08-2) and the second service period of December 2008 (12/08-2) for the one miscellaneous employee.</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, with the exception of the following:</p> <p><u>Uniform Allowance</u></p> <p>The District provided t-shirts containing the District logo and an annual uniform allowance up to \$600.00 to fire safety employees required to wear uniforms. However, the District did not report the value of the t-shirts provided and the uniform allowance as special compensation. The District should report uniform allowance as earned,</p>	<p>The District should report uniform allowance, including the monetary value of uniforms provided, as special compensation for employees required to wear uniforms.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>including the value of uniforms provided, as special compensation to CalPERS.</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. A uniform allowance, the monetary value of employer-provided uniforms... shall be included as special compensation.”</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><u>Fair Labor Standards Act Premium Pay (FLSA)</u></p> <p>The District based its firefighters’ FLSA premium pay on a 28-day work period. The firefighters were scheduled to be on duty for two 24-hour periods and then off duty for four 24-hour periods on a continuous rotation. The FLSA</p>	<p>The District should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p> <p>The District should report FLSA premium pay as special compensation for fire shift employees.</p>



# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>threshold for a 28-day work period is 212 hours. We found that the District paid FLSA premium pay in the pay period that included the completion of the 28-day work period. However, the District did not report the FLSA premium pay as special compensation.</p> <p>As an example, the District provided the work schedule, time sheet, and paystub for one of the sampled fire shift employees for service period 12/08-6. This employee worked 240 hours during the 28-day work period, which had a threshold of 212 hours. As a result, the District should have reported 28 hours (240-212=28) of FLSA premium pay at the half time rate as special compensation.</p> <p>Government Code, § 20636(a), defines compensation earnable for a member as, "The payrate and special compensation of the member."</p> <p>Government Code, § 20636(c)(1), defines special compensation as any payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.</p> <p>Government Code, § 20636(c)(6), states, "The board shall promulgate regulations that delineate more specifically</p>	<p>The District should work with CalPERS ERSD to assess the impact of this non-reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>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 regulations."</p> <p><u>Regular Earnings Under-reported</u></p> <p>The District firefighters' normal work schedule required firefighters to work two 24-hour periods and be off four 24-hour periods on a continuous rotation. This equated to an average of 56 hours a week or 224 hours in a 28 day work period. We found that the District reported regular earnings of 53 hours a week (212 hours in a 28 day work period) and paid overtime on hours worked above 53 (212 hours in a 28-day work period) a week. The District should have reported regular earnings up to 56 hours a week (224 hours in a 28-day work period) and reported the one-half time premium rate above the threshold (212) up to the normal scheduled hours for that work period. For example, during the 12/08-6 service period, one fire shift employee worked 240 hours during the 28 day work</p>	<p>The District should begin reporting all regular earnings for fire shift employees who work an average of 56 hours a week.</p> <p>The District should work with CalPERS ERSD to assess the impact of this under reporting 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</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>period. The District reported 212 hours in regular earnings and paid (not reported) 28 hours at the premium rate of time and one half. The District should have paid and reported 224 hours (average of normally scheduled work hours) at the regular rate and reported the FLSA premium pay for 28 hours at the one-half time rate (240 hours worked minus the 212-hour FLSA threshold = 28 hours of FLSA premium pay for that work period). As a result, regular earnings were under reported.</p> <p>Government Code, § 20630, states, in part, "Compensation means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours..."</p> <p>Government Code, § 20636(a), states, in part, "Compensation earnable means the payrate and special compensation of the member...(b)(1) Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours..."</p> <p><u>Health Plan Allowance</u></p> <p>The District Policy Manual stated that the District shall</p>	<p>District and CalPERS ERSD as an appendix to our draft report.</p> <p>The District should immediately</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>contribute up to \$850.00 per month to the medical health plan, not to exceed the actual premium. The District paid any remaining unused portion of the health plan allowance to the employee. The District incorrectly included this non-reportable compensation in the reported payrate and regular earnings for four sampled employees. Health plan allowance is not part of base payrate and is not included in Section 571(a) of the California Code of Regulations, which exclusively identifies and defines special compensation items that are reportable to CalPERS.</p> <p><u>Vacation Cash-Out</u></p> <p>The District incorrectly included vacation cash-out pay in the reported payrate and regular earnings for one sampled employee during the 9/07-6 service period. Vacation cash-out pay is not part of base payrate and is not included in Section 571(a) of the California Code of Regulations, which exclusively identifies and defines special compensation items that are reportable to CalPERS.</p> <p><u>Floating Holiday Pay</u></p> <p>District fire shift employees received 11 scheduled holidays and two floating holidays in a fiscal year, per the</p>	<p>stop reporting health plan allowance, vacation cash-outs and floating holidays as compensation to CalPERS.</p> <p>The District should work with CalPERS ERSD to assess the impact of the incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</p>	<p>District's Policy Manual. Our review of the 12/08-6 service period showed that the District paid and reported holiday pay for all fire shift employees; however, the District incorrectly included pay for floating holidays. Floating holidays are not considered recognized holidays and should not be included as part of special compensation when reporting holiday pay.</p> <p>Government Code, § 20630, states, in part, "Compensation means the remuneration paid out of funds controlled by the employer in payment for the member's services..."</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>	

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>1. The District may not accurately report compensation to CalPERS. (continued)</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. Health plan allowance, vacation cash-out payments, and floating holidays are not identified in the list of reportable items of special compensation.</p> <p>California Code of Regulations, § 571(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."</p>	
<p>2. The District may not report payrates in accordance with publicly available salary schedules.</p>	<p>We reviewed payrates reported to CalPERS in service periods 12/08-6 (safety employees) and 12/08-2 (miscellaneous employee) and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. We determined the payrates from the District's payroll registers and payrates reported to CalPERS were in accordance with public salary information.</p>	<p>None.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS.</p>	<p>We reviewed the payroll information, including the payroll reporting elements, reported to CalPERS for the sampled service periods 7/08-6 and 12/08-6 (safety employees) and 7/08-2 and 12/08-2 (miscellaneous employee). Our sample testing revealed that the District correctly reported the payroll information to CalPERS except for the following instances:</p> <p><u>Holiday Pay Incorrectly Reported in Payrate and Regular Earnings</u></p> <p>District fire shift employees received eleven scheduled holidays and two floating holidays in a fiscal year per the District's Policy Manual. The fire shift employees were paid \$75.00 per holiday and compensated twice per year. The District paid half of the holiday pay in June (6 days) and the remainder in December (7 days). Our review of the 12/08-6 service period showed that the District paid and reported holiday pay for all fire shift employees; however, it was incorrectly included in the reported payrate and regular earnings. The District should have reported the holiday pay, excluding floating holidays, separately as special compensation.</p> <p>Government Code, § 20636(a), defines compensation earnable for a member as, "The payrate and special</p>	<p>The District should immediately begin reporting holiday pay separately as special compensation to CalPERS.</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>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p>compensation of the member.”</p> <p>Government Code, § 20636(b)(1), states, in part, “Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.”</p> <p>Government Code, § 20636(c)(1), defines special compensation as, “A payment received for special skills, knowledge, abilities, work assignment, workdays or hours, or other work conditions.”</p> <p>California Code of Regulations, § 571(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.”</p>	



# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p><u>Incorrect Payrates Reported</u></p> <p>The District reported incorrect payrates during the service periods reviewed (7/08-6 and 12/08-6) for all fire shift employees who were paid a monthly base salary. Specifically, we found the District reported payroll on a quadri-weekly basis using Service Period Type Codes "6" or "7" as appropriate and reported "01" as the Monthly Pay Code. However, the District incorrectly reported the monthly payrate equal to regular earnings for the quadri-weekly pay period for all fire employees. The District should have reported the members' full-time monthly payrate for those employees who are paid a monthly base salary.</p> <p>Government Code, § 20636(b)(1), states, in part, "Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules."</p> <p>The CalPERS Procedures Manual (Pg. 100) states, "The payrate can be an hourly, daily, or monthly rate. Always use the member's FULL-TIME payrate."</p>	<p>The District should begin reporting all fire shift employees' full-time monthly payrates to CalPERS.</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>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>3. The District may not accurately report payroll information to CalPERS. (continued)</p>	<p><u>Retroactive Salary Adjustment Incorrectly Reported</u></p> <p>A retroactive salary adjustment was incorrectly reported for one employee. Specifically, this employee received a salary increase retroactive to July 1, 2008 and the District incorrectly reported the retroactive salary adjustment as part of regular earnings in the 8/08-2 service period. The District should have reported the retroactive salary adjustment separately using service period 7/08-1 and contribution code 15.</p> <p>Government Code, § 20630, states, in part, “When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.”</p> <p>The CalPERS Procedures Manual, (pg 110), states, in part, “A single contribution code 05 or 15 may be used to report a retroactive salary adjustment covering previous service periods. The service period should reflect the earliest service period involved in the adjustment. The transaction should have the member’s new payrate and the total additional earnings and contributions for the period. When more than one payrate is involved in the retroactive adjustment, report a single entry for each new payrate...”</p>	<p>The District should ensure that retroactive salary adjustments are reported in accordance with the CalPERS Procedures Manual.</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 report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

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 of 173 for all fire shift employees in both pay periods reviewed, 7/08-6 and 12/08-6. The fire shift employees work an average of 243 hours per month; therefore, the District should have reported a work schedule code of 243.</p> <p>CalPERS Procedure Manual, (pg 99), states, in pertinent part, “The ‘Work Schedule Code’ is a 3-digit numeric code used in calculating both employer rate and the member’s retirement benefit. It identifies what you, the employer, consider to be full-time employment for employees in the same work group, such as by department or duties, but not by individual employee. Approved work schedule codes range from 34 to 60 hours per week... The work schedule code typically will not vary from report to report...”</p> <p>The following formula is used to determine the work schedule code for a full-time monthly paid employee:</p> $\frac{\text{Number of hours per week} \times 52 \text{ weeks per year}}{12 \text{ months per year}}$ $\frac{56 \times 52}{12} = 243 \text{ Work Schedule Code}$	<p>The District should report work schedule code 243 for fire shift employees who work an average of 243 hours per month.</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>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>4. The District may fail to or did not submit payroll in a timely manner to CalPERS.</p>	<p>We reviewed the payroll information for service periods 7/08-6, 12/08-6 , 7/08-2 and 12/08-2 and found that payroll information and contributions were submitted within required timeframes.</p>	<p>None.</p>
<p>5. The District may not enroll all eligible employees into CalPERS membership.</p>	<p><u>Excluded Employees</u></p> <p>The contract between the Board of Administration of CalPERS and the Board of Directors of the District excludes elective officials and local police from CalPERS membership. The District did not employ police officers and correctly excluded elective officials.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of two temporary/part-time employees and examined the number of hours worked in fiscal year 2006/07 and 2007/08 to determine whether they met membership eligibility by completing 1,000 hours of work in a fiscal year. Our sample testing revealed that one employee worked a total of 1,981 hours in fiscal year 2007/08; however, the employee was not enrolled into CalPERS membership. The District should have enrolled this employee into CalPERS membership no later than the first day of the pay period following the completion of 1,000 hours, which was February 11, 2008.</p>	<p>None.</p> <p>The District should enroll all employees immediately once membership eligibility is met. In addition, 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 working on a less than full-time basis at</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>In addition, CalPERS' database was reviewed for a sample of nine temporary/part-time employees to verify membership status. We found that three of the sampled employees had prior CalPERS membership and did not take a refund of contributions; however, the District did not enroll and report contributions for these individuals:</p> <ul style="list-style-type: none"> <li>• One employee had prior membership with another CalPERS covered agency effective December 5, 2002. This employee worked a total of 22 hours with the District during fiscal year 2006/07. The District should have enrolled this employee into membership and reported this employee's earnings to CalPERS.</li> <li>• A second employee had prior membership with another CalPERS covered agency effective June 6, 2005. This employee worked a total of 28 hours with the District during fiscal year 2006/07. The District should have enrolled this employee into membership and reported this employee's earnings to CalPERS.</li> <li>• A third employee had prior membership with another CalPERS agency effective September 20, 1999 and was subsequently enrolled by the District on November 20, 2006. However, in the 2006/07 fiscal year this employee worked 850 hours during the period</li> </ul>	<p>another CalPERS covered agency.</p> <p>The District should work with CalPERS ERSD to assess the impact of this 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 District and CalPERS ERSD as an appendix to our draft report.</p>

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p>of July 1, 2006 through November 19, 2006. We found that the District did not report the earnings for this period.</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: (1) He or she is a member at the time he or she renders less than full-time service and is not otherwise excluded pursuant to this article by a provision of a contract... (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: (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 which 125 days or 1,000 hours of service were completed...”</p> <p><u>Independent Contractor</u></p> <p>We reviewed the District’s IRS 1099 Miscellaneous Income forms for calendar years 2007 and 2008 in order to identify employees that may be misclassified as independent contractors. No individuals were identified who met our selection criteria.</p>	<p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
6. The District may unlawfully employ retired annuitants.	The District did not employ any retired annuitants during the period under review.	None.
7. The District may not appropriately report members under the proper coverage group code.	Our sample testing revealed that the District reported individuals under the appropriate coverage group code.	None.
8. The District may not appropriately process industrial disability retirement determinations and appeals for safety members.	The District did not have any members apply for industrial disability retirement during the review period. However, we found that the District had procedures in place for processing industrial disability retirement applications and subsequent appeals.	None.
9. The District may not accurately report unused sick leave balances for retiring CalPERS members.	The District did not have any employees retire during the review period. However, the District confirmed that a divisor of eight would be used to convert unused sick leave hours to days when certifying unused sick days to CalPERS.	None.

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed the District's five employees to assess the health benefits eligibility and enrollment of members and their dependents. Our testing revealed that the District properly enrolled eligible employees and their dependents in CalPERS' health benefits program, except for the following:</p> <p>Employee Declaration of Health Coverage (HB-12A) and current Health Benefits Plan Enrollment (HBD-12) forms were not on file as required for the District's five employees. Specifically, we found that completed HB-12A forms were not on file for employees who had either enrolled or made changes to their health coverage on or after January 1, 1998. We also found that the District did not maintain HBD-12 enrollment forms for its employees. In addition, the District did not provide a copy of a marriage certificate for one employee who had a covered spouse.</p> <p>The CalPERS Public Agency Health Benefits Procedure Manual, Page 12-01, states, in part, "The Declaration of Health Coverage (HB-12A) provides information on enrollment options and consequences for non-enrollment. The HB-12A is to ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998, each employee must sign the</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 employee mentioned in this report has been sent to the District and CalPERS HBB as an appendix to our draft report.</p>



# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>HB-12A when they are first eligible to enroll or when they make any change to their health coverage. This includes Open Enrollment changes, changing health plans when moving, adding or deleting a dependent, or canceling health benefits. The employer must provide the HB-12A at the time the employee requests enrollment or with the Health Benefit Plan Enrollment (HBD-12) form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file."</p> <p>California Code of Regulations, § 599.500(f) states, "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."</p> <p>The CalPERS Public Agency Health Benefits Procedure Manual, Page 03-03, outlines the documentation required to verify dependent eligibility and states, in pertinent 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."</p> <p>Government Code, § 20085, states, in part, "(a) It is</p>	

# OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>10. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system. (b) For purposes of this section, 'statement' includes, but is not limited to, any oral or written application for benefits, report of family relationship...or continued eligibility for a benefit or the amount of a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make restitution to this system."</p>	
<p>11. The District may not contribute the appropriate health contribution amounts for active employees.</p>	<p>We reviewed the December 2008 health contribution information for a sample of three employees. We determined that the District contributed the appropriate health contribution amount as part of the sampled members' total monthly premium amount.</p>	<p>None.</p>

## OPHIR HILL FIRE PROTECTION DISTRICT

RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>12. The District may not remit health contributions within the required timeframe.</p>	<p>We reviewed the health contribution payments for July 2008 and December 2008. We determined that the District remitted the health contribution payments within the appropriate timeframe.</p>	<p>None.</p>
<p>13. The District may not maintain appropriate ACES security procedures.</p>	<p>We reviewed the security procedures for the District's ACES users to determine whether reasonable security precautions were maintained and to determine whether the required security documents were properly completed and filed for ACES users.</p> <p>We determined that the District took reasonable precautions to maintain the secrecy of the one user's password and user ID; however, did not maintain an ACES User Security Agreement on file at the District.</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 "Employer User Security Agreement" (AESD-43) 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 termination of the Agreement. CalPERS is to be notified immediately in the event that any of its sensitive or confidential</p>	<p>The District should ensure that ACES user security agreements are completed timely 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.</p> <p>A confidential list identifying the employee mentioned in this report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

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## OPHIR HILL FIRE PROTECTION DISTRICT

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
13. The District may not maintain appropriate ACES security procedures. (Continued)	information is subjected to unauthorized disclosure, modification or destruction.	

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# OPHIR HILL FIRE PROTECTION DISTRICT

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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,

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MARGARET JUNKER, CIA, CPA  
Interim Chief Auditor,  
Office of Audit Services

Date: July 2010

Staff: Michael Dutil, CIA, Senior Manager  
Diana Thomas, CIDA, Manager  
Chris Wall  
Terry Heffelfinger  
Kesh Braeger

# APPENDIX

DISTRICT'S WRITTEN RESPONSE

# Ophir Hill FIRE PROTECTION DISTRICT



P.O. Box 940 ♦ 12668 Colfax Hwy., Cedar Ridge, CA 95924  
(530) 273-8351 ♦ FAX (530) 273-0453

June 8, 2010

CalPERS  
Office of Audit Services  
P O Box 942701  
Sacramento, CA 94229-2701

RE: Employer Code: 1486, Job Number: PO8-081

Dear Ms. Junker:

The Board of Directors of the Ophir Hill Fire Protection District acknowledges receiving your draft audit dated February 2010. The Board of Directors, as well as our Bookkeeper Carol Fassino, also acknowledges that the employees listed in the "Confidential List" worked during the service period recorded in your findings. The Ophir Hill Fire Protection District was unaware that there were any reporting errors however.

The Ophir Hill Fire Protection District does not have any disputes with your finding of errors.

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Hoffmeyer".

Frederick "Al" Hoffmeyer  
Chairman of the Board  
Ophir Hill Fire Protection District