



California Public Employees' Retirement System
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August 30, 2011

Employer Code: 0065
Job Number: P09-044

City of Roseville
Kristi Corral, Payroll Manager
311 Vernon Street
Roseville, CA 95678

Dear Ms. Corral:

Enclosed is our final report on the results of the public agency review completed for the City of Roseville. Your agency's written response, included as an appendix to the report, indicates agreement with most of the issues noted in the report. The City disagreed with the determinations FLSA was incorrectly reported, health enrollment forms were required, and a reported payrate was not publicly available. We reviewed the documents provided by the City pertaining to FLSA and our recommendation remains as stated in the report. In addition, Health Benefits Plan Enrollment Forms were required during the review period; therefore, recommendation remains as stated in the report. However, additional documents regarding payrate were provided by the City and after review, OAS determined the payrate issue would be removed from the report. In accordance with our resolution policy, 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 Council, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Darryl Watson, Chief, CASD, CalPERS
Sue Kane, Assistant Chief, HAS, CalPERS
Don Martinez, Interim Assistant Chief, HAS, CalPERS
Honorable Board Members, City of Roseville

Office of Audit Services



Public Agency Review City of Roseville

Employer Code: 0065
Job Number: P09-044

September 2011

CITY OF ROSEVILLE

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CITY OF ROSEVILLE

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the City of Roseville's (City) enrolled individuals, member compensation, required health and retirement documentation and other 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:

- Compensation earnable was incorrectly reported.
- Seven employees working in miscellaneous positions were incorrectly classified under the safety classification.
- Retirement contributions and summary report was not remitted timely.
- Two eligible temporary/part-time employees were not enrolled in CalPERS membership.
- Health benefit contributions were not remitted within the required timeframe.
- Required health forms were not maintained on file for five sampled employees.
- ACES security measures were not properly maintained.

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 has been previously sent to the City and CalPERS' Customer Account Services Division (CASD) and Health Account Services (HAS) as an appendix to the draft report.

CITY BACKGROUND

The City is a charter law city of the State of California, incorporated in 1909 and operating under a Council-Manager form of government. The City's political and legislative body is the City Council which is empowered by the City's charter to formulate citywide policy, including a fiscal program, City services, and appointment of the City Manager and City Attorney. There are five City Council members who are elected at-large for staggered four-year terms, and the Mayor is determined by which member received the highest number of votes in the previous election. Roseville is a full-service City providing a full range of municipal utilities and services. Memoranda of Understanding (MOU) and employment agreements outline all City employees' salaries and benefits and state the terms of employment agreed upon between the City and its employees.

CITY OF ROSEVILLE

The City contracted with CalPERS effective April 1, 1945, to provide retirement benefits for local firefighters, local police officers and local miscellaneous groups of employees. The City's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The City later contracted with CalPERS effective June 1, 1974, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, the OAS reviewed the City's payroll reporting and member enrollment processes as these processes relate to the City's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from January 1, 2007 through December 31, 2009, with the exception of sampled employees reported payrates which were reviewed from February 2003 through December 2009. The on-site fieldwork for this review was performed from February 22, 2010 through March 4, 2010, and from February 9, 2011 through February 10, 2011. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed under Appendix B.

CITY OF ROSEVILLE

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: Compensation earnable was incorrectly reported.

- (a) The value of Employer Paid Member Contributions (EPMC) was not reported on special compensation.
- (b) EPMC was not properly paid and reported for police employees.
- (c) Fair Labor Standards Act (FLSA) premium pay was incorrectly calculated and reported.

Recommendations:

- (a) The City should ensure the value of EPMC is properly paid and reported on all special compensation.
- (b) The City should pay and report the value of EPMC for eligible employees equal to the amount the City authorized to pay.
- (c) The City should immediately begin to report the correct amounts of FLSA premium pay for safety shift employees.

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

Conditions:

- (a) The value of EPMC was not reported on special compensation.*

We determined the City correctly paid and reported the value of EPMC on payrate, but did not calculate EPMC on special compensation for eight sampled employees in the 1/09-3 service period; therefore, EPMC was understated for the sampled employees. The value of EPMC must be calculated on all compensation, including items of special compensation.

- (b) The value of EPMC was over paid and reported for police employees.*

The City over paid and reported the value of EPMC for police officers during the 10/09-4 service period. Specifically, the City revised the amount of EPMC paid and reported for employees of the Police Officers Association effective

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October 7, 2009, in resolution 09-415. The resolution authorized the City to pay and report the value of EPMC at two percent. During the 10/09-4 service period, covering pay dates October 10, 2009 to October 23, 2009, the City incorrectly paid and reported the value of EPMC at nine percent.

(c) FLSA premium pay was incorrectly paid and reported for sampled shift fire personnel.

The City established a 24-day FLSA work period cycle and paid FLSA premium pay on actual hours worked. The FLSA threshold for a 24-day cycle is 182 hours.

OAS determined that for the 24-day FLSA work period February 24, 2009 to March 19, 2009, a sampled Firefighter Paramedic worked 192 regularly scheduled hours. Therefore, the employee exceeded the 182-hour threshold by 10 hours. OAS determined the City understated the FLSA premium pay. The City should have paid and reported 10 hours of FLSA premium pay at half pay rate.

In addition, during the 24-day FLSA work period January 31, 2009 to February 23, 2009, a sampled Fire Engineer worked 192 regularly scheduled hours. Therefore, the employee exceeded the 182-hour threshold by 10 hours. OAS determined the City understated the FLSA premium pay. The City should have paid and reported 10 hours of FLSA premium pay at half pay rate.

Criteria:

- (a) California Code of Regulations § 571(a)(1)
- (b) Government Code § 20636(c)(4), § 20691
California Code of Regulations § 571(a)(1) and (a)(1)(B)
- (c) Government Code §20630(a), 20636(a) and (c)(6)
California Code of Regulations § 571(a)

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Finding 2: The City incorrectly reported and classified employees working in miscellaneous positions under the safety classification.

Recommendations:

The City should ensure employees are properly classified based on job position and duties performed.

The City should work with CalPERS CASD to assess the impact of these incorrect classification reporting issues and determine what adjustments are needed.

Conditions:

The City incorrectly reported and classified seven sampled Fire Inspectors under a safety classification. OAS reviewed the job specifications for the City's Fire Inspector I/II and Senior Fire Inspector positions to determine which membership classification the position should be reported under, safety or miscellaneous. The job duties performed in the job classification did not involve active firefighting as required under Government Code Section 20433. The City's contract with CalPERS did not include the optional provision of Government Code Section 20434; therefore, the City incorrectly classified the Fire Inspector positions as safety rather than miscellaneous.

Criteria:

Government Code: § 20433, § 20434

CITY OF ROSEVILLE

Finding 3: The City did not remit retirement contributions or submit summary reports timely.

Recommendation:

The City should implement payroll procedures to ensure that retirement contributions are received at CalPERS within 15 days from the close of a pay period, and payroll reports are received within 30 days from the close of a pay period.

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

Condition:

OAS reviewed the City's submission of retirement contributions and payroll reports for three service periods: 1/09-3, 10/09-3, and 10/09-4. The City remitted the retirement contributions timely except for the 1/09-3 service period, which ended on January 2, 2009. Contributions were due January 17, 2009, but were not received until February 10, 2009, 24 days late. In addition, the summary report, due February 1, 2009, was submitted February 9, 2009, eight days late.

Criteria:

California Code of Regulations: § 565, § 565.1

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Finding 4: The City did not enroll into CalPERS membership part-time employees who met membership eligibility.

Recommendation:

The City should ensure an employee is enrolled, earnings are reported, and retirement contributions are submitted, when the employee is eligible for CalPERS membership. Employees who reach 1,000 hours worked in a fiscal year should be enrolled no later than the first day of the first pay period of the month following the month in which 1,000 hours of service is completed.

The City should work with CalPERS CASD to assess the impact of not enrolling employees and determine what adjustments are needed.

Condition:

The City did not properly enroll into CalPERS membership two sampled part-time employees who met membership eligibility by exceeding 1,000 hours worked in a fiscal year. Specifically,

- One employee exceeded 1,000 hours worked in the July 11, 2008 pay period for hours worked June 21 to June 30 and was not enrolled into membership.
- A second employee exceeded 1,000 hours worked in the July 11, 2008 pay period for hours worked June 21 to June 30, and was not enrolled into membership.

Criteria:

Government Code: § 20044, § 20305(a)

CITY OF ROSEVILLE

Finding 5: The City did not remit health benefit contributions within the required timeframe.

Recommendation:

The City should develop procedures to ensure health benefit contributions are submitted to CalPERS by the 10th day of the month for which the contribution is due.

Condition:

OAS reviewed the health benefit contributions for October 2008, November 2008, and September 2009 to determine whether the City remitted health contribution payments within the required timeframe. The payments were due by the 10th day of the month for which the payments were due. City records showed health contribution payments were not submitted timely in one instance. The October 2008 contribution was received on October 20, 2008, ten days late.

Criteria:

Government Code: § 22899(a)

CITY OF ROSEVILLE

Finding 6: The City did not properly maintain required health forms on file.

Recommendations:

The City should ensure that the required health enrollment forms are completed and on file at the City within 60 days from the date of the final report.

Please send an email to: HBB_Audit_Services@calpers.ca.gov once the requested documentation is on file. The CalPERS HAS may be contacted at (916) 795-3836 with any questions.

Conditions:

OAS reviewed a sample of five employees to assess the health benefits eligibility and enrollment of members and their dependents. Sample testing revealed the Health Benefit Plan Enrollment (HBD-12) forms were not on file for the five sampled employees.

Criteria:

Government Code: § 20085

California Code of Regulations: § 599.500(f)

CITY OF ROSEVILLE

Finding 7: The City did not take reasonable precautions to maintain password confidentiality and did not retain ACES security forms in a secure worksite.

Recommendation:

The City should ensure all ACES users take reasonable precaution to maintain password confidentiality by not sharing or allowing others access to passwords for any reason.

The City should follow appropriate procedures to ensure the security of CalPERS ACES. Employer User Security Agreements (AESD-43) should be timely completed and retained in a secure worksite location for the life of the Agreements and for two years following the deactivation or termination of the Agreements.

Condition:

OAS found that City staff shared ACES passwords and therefore did not properly maintain password confidentiality.

In addition, the City did not properly maintain copies of the AESD-43 for two authorized users. However, the City completed and filed the forms during the on-site field review.

Criteria:

ACES User Guide, Pages 107 and 123

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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 City'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
Jacque Conway, CPA, CIA, Manager
Alan Feblowitz
Karen Harlan, CGAP
Richard Parsons, CFE, CIA

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APPENDIX A

BACKGROUND

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BACKGROUND

California Public Employee' 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 which 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 services for eligible members who apply for service or disability retirement. CalPERS Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Health Account Services (HAS) section, as part of CASD, provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest 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.

CITY OF ROSEVILLE

APPENDIX B

OBJECTIVES

CITY OF ROSEVILLE

REVIEW OBJECTIVES

The objectives of this review were limited to the determination of:

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

This review covers the period January 1, 2007 through December 31, 2009. OAS completed a prior review covering the period from November 1, 1998 to December 31, 2001.

PROCEDURES, SAMPLE SIZE, SAMPLE PERIOD, AND FINDINGS

To accomplish the review objectives OAS interviewed key staff to obtain an understanding of the City's personnel and payroll procedures. OAS also reviewed the following documentation:

- Contracts and contract amendments between the City and CalPERS
- Correspondence files maintained at CalPERS
- City Council minutes and City Council resolutions
- City written labor policies and agreements
- City salary, wage and benefit agreements including applicable resolutions
- City personnel records and employee hours worked records
- City payroll information including Summary Reports and PERS listings
- Other documents used to specify payrate, special compensation and benefits for all employees
- Health Benefits Program enrollment records and supporting documentation
- City ordinances as necessary
- Various other documents as necessary

OAS performed the following procedures. A description and the related sample sizes, sample periods and applicable findings for each procedure are included.

- ✓ Reviewed City payroll records and compared the records to data reported to CalPERS to determine whether the City correctly reported employees' compensation.

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Sample size and period: Reviewed 20 employees covering two sampled service periods – the first service period in January 2009 (1/09-3) and the second service period in October 2009 (10/09-4).

See Finding 1: Compensation earnable was incorrectly reported.
(a) The value of EPMC was not reported on special compensation.
(b) EPMC was not properly paid and reported for police employees.
(c) FLSA was incorrectly calculated and reported.

- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to City public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the City's governing body in accordance with requirements of applicable public meeting laws.

Sample size and period: Reviewed 20 employees from the compensation testing in the second service period in October 2009 (10/09-4). In addition, eight employees from the executive and management groups were selected and tested from January 2003 through December 2009.

No finding:

- ✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly.

Sample size and period for contribution code, pay code, work schedule code, service period, member contributions, payrate and member earning, member name, and social security number: Reviewed 20 employees in the first service period in January 2009 (1/09-3) and the second service period in October 2009 (10/09-4).

No finding

Sample size and period for coverage group: Reviewed 13 employees during the review period January 2007 through December 2009.

See Finding 2: The City incorrectly reported and classified employees working in miscellaneous positions under the safety classification.

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- ✓ Reviewed payroll information to determine whether the City submitted payroll contributions and information within required timeframes.

Sample size and period: Reviewed retirement contributions and summary reports submitted in the first service period in January 2009 (1/09-3), first service period in October 2009 (10/09-3), and the second service period in October 2009 (10/09-4).

See Finding 3: The City did not remit retirement contributions or submit summary reports timely.

- ✓ Reviewed the City's enrollment practices to determine whether individuals met CalPERS membership requirements.

Sample size and period: Reviewed seven temporary/part-time employees in fiscal years 2007/2008 and 2008/2009.

See Finding 4: The City did not enroll into CalPERS membership two part-time employees who met membership eligibility.

- ✓ Reviewed the City's enrollment practices for retired annuitants to determine whether individuals were lawfully employed.

Sample size and period: Reviewed one retired annuitant in the 2007/2008 and 2008/2009 fiscal years and two retired annuitants in the 2008/2009 fiscal year.

No Finding

- ✓ Reviewed the City's enrollment practices to determine whether employees might have been misclassified as independent contractors.

Sample size and period: Reviewed six independent contractors in the 2008 and 2009 calendar years.

No Finding

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- ✓ Reviewed the accuracy of the City's calculation and reporting of unused sick leave balances for additional service credit.

Sample size and period: Reviewed eight retiring members covering the review period January 1, 2007 through December 31, 2009.

No Finding

- ✓ Reviewed records to determine whether the City remitted health benefit contribution payments with the required timeframe. The payments are due by the 10th day of the month for which the payments are due.

Sample size and period: Reviewed three health benefit contribution payments: October 2008, November 2008, and September 2009.

See Finding 5: The City did not remit health benefit contributions within the required timeframe.

- ✓ Reviewed health records to determine whether the City properly enrolled eligible individuals into CalPERS Health Benefits Program.

Sample size and period: Reviewed five employees and their dependents in the review period January 1, 2007 through December 31, 2009.

See Finding 6: The City did not properly maintain required health forms on file.

- ✓ Reviewed the City's ACES security procedures to determine whether precautions were taken to maintain the secrecy of passwords and whether forms were secured in a secure worksite location.

Sample size and period: Reviewed seven employees from the review period who were identified as having ACES access

See Finding 7: The City did not take reasonable precautions to maintain password confidentiality and did not retain ACES security forms in a secure worksite.

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APPENDIX C

CRITERIA

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CRITERIA

Government Code § 20044, states:

“Fiscal year” is any year commencing on July 1st and ending with June 30th next following.

Government Code § 20049, states:

"Labor policy or agreement" means any written policy, agreement, memorandum of understanding, legislative action of the elected or appointed body governing the employer, or any other document used by the employer to specify the payrate, special compensation, and benefits of represented and unrepresented employees.

Government Code § 20305, states:

(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:...

(3)(B) The person 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...1,000 hours of service were completed.

Government Code § 20433, states:

“Local firefighter” means any officer or employee of a fire department of a contracting agency, except one whose principal duties are those of a telephone operator, clerk, stenographer, machinist, mechanic, or otherwise and whose functions do not clearly fall within the scope of active firefighting, or active firefighting and prevention service, active firefighting and fire training, active firefighting and hazardous materials, active firefighting and fire or arson investigation, or active firefighting and emergency medical services, even though that employee is subject to occasional call, or is occasionally called upon, to perform duties within the scope of active firefighting, or active firefighting and prevention service, active firefighting and fire training, active firefighting and hazardous materials, active firefighting and fire or arson investigation, or active firefighting and emergency medical services, but not excepting persons employed and qualifying as firefighters or equal or higher rank, irrespective of the duties to which they are assigned.

Government Code § 20434, states:

“Local firefighter” also means any officer or employee of a fire department of a contracting agency, except one whose principal duties are those of a telephone operator, clerk, stenographer, machinist, mechanic, or otherwise and whose functions do not clearly fall within the scope of active firefighting,

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fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation service, even though that employee is subject to occasional call, or is occasionally called upon, to perform duties within the scope of active firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation service, but not excepting persons employed and qualifying as firefighters or equal or higher rank, irrespective of the duties to which they are assigned.

This section shall not apply to the employees of any contracting agency nor to any contracting agency until the agency elects to be subject to this section by amendment to its contract with the board, made pursuant to Section 20474 or by express provision in its contract with the board.

Government Code § 20630, subdivision (a), states:

As used in this part, "compensation" means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal work hours....

Government Code § 20636, subdivision (a), states:

"Compensation earnable" by a member means the payrate and special compensation of the member....

Government Code § 20636, subdivision (c)(6), states:

The board shall promulgate regulations that delineate more specifically and exclusively what constitutes "special compensation" as used in this section....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.

Government Code § 20636, subdivision (c)(4), states:

Special compensation may include the full monetary value of normal contributions paid to the board by the employer, on behalf of the member and pursuant to Section 20691, if the employer's labor policy or agreement specifically provides for the inclusion of the normal contribution payment in compensation earnable.

Government Code § 20691, states:

Notwithstanding any other provision of the law, a contracting agency or school employer may pay all or a portion of the normal contributions required to be paid by a member. Where the member is included in a group or class of employment, the payment shall be for all members in the group or class or employment.

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Government Code § 22899, subdivision (a), states:

The contributions required of a contracting agency, along with contributions withheld from salaries of its employees, shall be forwarded monthly, no later than the 10th day of the month for which the contribution is due.

California Code of Regulations § 565, states:

Member and employer contributions shall be received in the System's Sacramento office on or before 15 calendar days following the last day of the pay period to which they refer.

California Code of Regulations § 565.1, states:

a) For employers reporting on tape or punched cards, a complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers.

b) For employers reporting on a pre-list method, a complete and orderly payroll report for each pay period shall be filed with the System at its Sacramento office on or before 30 calendar days following the last day of the period to which it refers, or on or before 20 calendar days after mailing, by the System, of the pre-list therefor, whichever is the later.

California Code of Regulations § 571, subdivision (a), states:

The following list exclusively identifies and defines special compensation items for members employed by contracting agency and school employers that must be reported to CalPERS....

(5) STATUTORY ITEMS

Fair Labor Standards Act (FLSA) - Compensation paid for normal full-time work schedule including premium pay required by FLSA...Any work performed above 56 hour per week would be considered overtime and would not be reported to PERS.

California Code of Regulations § 571, subdivision (a)(1), states:

Value of Employer-Paid Member Contributions (EPMC) - The full monetary value of employer-paid member contributions (EPMC) paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class.

The value of EPMC is calculated on all "compensation earnable" excluding the special compensation of the monetary value of EPMC paid to CalPERS by the employer under Government Code section 20636(c)(4) thus eliminating a perpetual calculation.

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California Code of Regulations § 571, subdivision (a)(1)(A), states:

A resolution or ordinance of the governing body must be provided to CalPERS indicating the group or class, effective date, and the percent or amount of EPMC being paid and reported as an item of special compensation. The resolution or ordinance must be formally adopted by the employer's governing body, and submitted to CalPERS for review and approval.

California Code of Regulations § 571, subdivision (a)(1)(B), states:

The resolution or ordinance must specify that the value of EPMC will be reported as an item of special compensation consistently, for all members in the affected group or class of employment....

California Code of Regulations § 599.500, subdivision (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.

CalPERS ACES Security Guide, Pages 107 and 123, available on CalPERS website at www.calpers.ca.gov, 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 information is subjected to unauthorized disclosure, modification or destruction.

The AESD-43 states, “Passwords must be kept confidential. Reasonable precaution must be maintained including but not limited to: Not sharing or allowing others access to your password for any reason.”

APPENDIX D

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
CITY OF ROSEVILLE EMPLOYER CODE 0065
PRIOR REVIEW P01-032, DATED OCTOBER 2002**

<i>Prior Review Finding</i>	<i>Prior Review Recommendation</i>	<i>Status of Prior Recommendation</i>
1. Compensation reported incorrectly	The City should immediately begin reporting FLSA payments as a separate item of special compensation. The City should either report the additional earnings representing out-of-class pay as either special compensation, or report out-of-class earnings and regular earnings as separate amounts earned under their separate corresponding pay rates. In addition, the City should immediately begin reporting Canine Pay for the Police Officers who receive this pay.	Similar finding noted in the current report. The City incorrectly reported FLSA premium pay and the value of EPMC.
2. Unused sick leave reported incorrectly	The City should review the unused sick leave balances of the members who retired during the audit period to determine if their unused sick leave balances were properly reported to CalPERS.	No similar observations were noted.
3. Temporary / part-time employees not properly enrolled	The City should review all hours worked in a fiscal year by all temporary/part-time employees and enroll those that meet membership eligibility criteria.	Similar finding noted in the current report.

Conclusion: The City properly implemented the recommendation of the prior review pertaining to reporting compensation; however, the current report identified new issues with the reporting of FLSA premium pay and EPMC. In addition, the City did not properly follow procedures for enrolling eligible part-time employees. The recommendation for finding #2 was properly implemented.

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APPENDIX E

CITY'S WRITTEN RESPONSE

Finance

311 Vernon Street
Roseville, California 95678-2649

July 13, 2011

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

Dear Mrs. Junker:

Attached you will find a listing of the issues and responses found during the audit for the period of January 1, 2007 to December 31, 2009. The City of Roseville has every intention to be in compliance with requirements prescribed by applicable sections of the California Government Code and Title 2 of the California Code of Regulations. The City of Roseville will make the necessary changes to stay in compliance as outlined on the attached document.

Please contact me if you have any further questions or issues.

Sincerely,



Kristi Corral
Payroll Manager

Cc: Russ Branson, Assistant City Manager
Stacey Haney, Human Resources Director
Brita Bayless, City Attorney
Ray Kerridge, City Manager
Sandra Ikeda, Accounting Manager

Finance

311 Vernon Street
Roseville, California 95678-2649

Audit Responses:

Finding 1: Compensation earnable was incorrectly reported

- (a) *The value of Employer Paid Member Contributions (EPMC) was not reported on special compensation.* – The City has adjusted the reporting for special compensation and sent this adjustment for the affected employees.
- (b) *EPMC was not properly paid and reported for Police employees.* – The City did not coordinate the change of the benefit with that of the effective date on the resolution to PERS. We will do so going forward.
- (c) *Fair Labor Standards Act (FLSA) premium pay was incorrectly calculated and reported.* – The City paid and reported 8 hours of straight time overtime (or 16 hours of half time) for the sampled employees for the 24 day period in question. The information was shared with the auditor. We believe we are in compliance.

Finding 2: The City reported a pay rate for one sampled employee that was not properly authorized or publicly available.

Prior to February 2007 the City included longevity pay in employee's hourly rate instead of separately as special compensation. The employee in question was granted 5% longevity pay commencing after his 5th year of employment and another 5% effective January 2002. The posted salary schedules for the time periods questioned only had base rate and did not include longevity.

- (a) For the period January 2004 through December 2004 the posted rate was \$79.1887. The $\$79.1887 + 5\%$ (5 year longevity) = \$83.14814 + 5% (longevity effective January 2002) = \$87.305. The \$87.305 was the rate reported to PERS.
- (b) Effective January 2005 the posted rate was \$85.5238. $\$85.5238 + 10\%$ longevity) = \$94.076. The \$94.076 was the rate reported to PERS.
- (c) Effective January 2006 the posted rate was \$89.800. The $\$89.800 + 10\%$ longevity) = \$98.78. The \$98.78 was the rate reported to PERS.

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Finding 3: The City incorrectly reported and classified employees working in miscellaneous positions under the safety classification.

During the review of this finding, The City has determined the job specifications for Fire Inspector I/II and Sr. Fire Inspector were not updated with the current job duties. The City is in the process of updating the specifications to accurately reflect the duties of these positions.

Finding 4: The City did not remit retirement contributions or submit summary reports timely.

The City's Payroll division has taken steps to ensure the timely submittal of retirement contributions. The City has not been late since our procedure was updated.

Finding 5: The City did not enroll into CalPERS membership part-time employees who met membership eligibility.

In past years, the City has used our pay-period dates to properly track 1,000-hour employees. We implemented a new time and attendance system in June 2008 and at that time we made an inquiry at PERS regarding the dates to track 1,000-hour employees. We were told that as long as we were consistent there was no issue with our procedure. The City maintained the procedure we have had in years past. Starting July 1, 2011 we will re-program our time and attendance system to track hours from July 1st to June 30th.

Finding 6: The City did not remit health benefit contributions within the required timeframe.

The City's Payroll division has taken steps to ensure the timely submittal of health premiums. The City has not been late since our procedure was updated.

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Finding 7: The City did not properly maintain required health forms on file.

The City has been using an automated process for updating health information for several years now. Part of this process is a paperless open enrollment. We inquired about using our form in place of the HBD-12 when it was created and again at last year's Education Forum and we were told we could use our form in place of the HBD-12. A dual system will create a large amount of unnecessary paper as well as defeat the purpose of having an online paperless system. We request this recommendation be withdrawn.

Finding 8: The City did not take reasonable precautions to maintain password confidentiality and did not retain ACES security forms in a secure worksite.

The City is now in compliance with password and security agreement requirements.

The City of Roseville is taking steps to improve all process involved in the correct reporting of all information to PERS.