

# **Office of Audit Services**



## **Public Agency Review**

### **Felton Fire Protection District**

**Employer Code: 1665  
CalPERS ID: 1920391483  
Job Number: P13-052**

**April 2014**



**California Public Employees' Retirement System**  
**Office of Audit Services**  
P.O. Box 942701  
Sacramento, CA 94229-2701  
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April 11, 2014

Employer Code: 1665  
CalPERS ID: 1920391483  
Job Number: P13-052

Felton Fire Protection District  
Ron Rickabaugh, Fire Chief  
131 Kirby Street  
Felton, CA 95018

Dear Fire Chief Rickabaugh:

Enclosed is our final report on the results of the public agency review completed for the Felton Fire Protection District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in 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: Honorable Board of Directors, Felton Fire Protection District  
Risk and Audit Committee Members, CalPERS  
Gina M. Ratto, Interim General Counsel, CalPERS  
Karen DeFrank, Chief, CASD, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS

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# FELTON FIRE PROTECTION DISTRICT

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## RESULTS IN BRIEF

The primary objective of our review was to determine whether the Felton Fire Protection District (Agency) complied with applicable sections of the California Government Code, California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings during the review. Details are noted in the Results section beginning on page two of this report.

- The Agency's Board approved pay schedule did not agree with the reported payrate of an employee.
- Special compensation of uniform allowance was not reported as earned.

OAS recommends the Agency comply with applicable sections of the California Government Code, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

## SCOPE

The Agency contracted with CalPERS effective May 6, 1995, to provide retirement benefits for Safety-Fire employees. Effective August 1, 1995, the Agency also contracted for health benefits for these employees. By way of the Agency's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and by the Public Employees Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the Board approved plan for fiscal year 2013/2014, the OAS reviewed the Agency's payroll reporting and member enrollment processes as these processes relate to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from July 1, 2010 through June 30, 2013. The on-site fieldwork for this review was conducted on November 12, 2013. The review objectives and a summary of the procedures performed are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency's Board approved pay schedule did not agree with the reported payrate of an employee.

***Condition:***

The monthly payrate listed in the Agency's 2012/13 pay schedule did not agree with the monthly payrate reported for an employee. Specifically, the Agency reported a monthly payrate of \$9,179.11 for the Fire Chief in the pay period ending June 7, 2013. However, the Agency's Board approved pay schedule for this employee indicated a monthly payrate of \$8,473.02. According to the Agency, the amount listed on the pay schedule was incorrect due to a mathematical error in converting the payrate from bi-weekly to monthly. The Agency subsequently revised the 2013/14 pay schedule to reflect the correct payrate.

***Recommendation:***

The Agency should ensure the publicly available pay schedule is accurate and agrees with reported payrates.

The Agency should work with CalPERS Customer Account Services Division (CASD) to determine the impact of the incorrect reporting, if any, and make the necessary adjustments to member accounts pursuant to Government Code section 20160.

***Criteria:***

Government Codes: § 20160, § 20636 (b)(1)

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2: Special compensation of uniform allowance was not reported as earned.

***Condition:***

The Agency incorrectly reported special compensation of uniform allowance for the Fire Chief as a lump sum in pay period ending October 12, 2012. The Agency should have reported the uniform allowance for the period earned. Government Code 20636(c)(3) requires Agencies to identify the pay period in which special compensation was earned.

Per Government Code 20636, reportable special compensation is required to be contained in a written labor policy or agreement, available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, historically consistent with prior payments for the job classification, not paid exclusively in the final compensation period, not final settlement pay and not creating an unfunded liability over and above CalPERS actuarial assumptions.

***Recommendation:***

The Agency should ensure special compensation is reported in the period(s) in which it is earned.

The Agency should work with CASD to determine the impact of this incorrect reporting and make any necessary adjustments to active and retired member accounts pursuant to Government Code section 20160.

***Criteria:***

Government Codes: § 20160, § 20636(c)(3), § 20636(c)(6)

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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 A. OAS limited the test of transactions to employee samples selected from the Agency's payroll 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. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code section 20134 and sections 555-555.4, Title 2, California Code of Regulations.

Respectfully submitted,

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Diana Thomas, CIA, CIDA, Manager  
Alan Feblowitz, CFE, Manager  
Noah Schreier, Auditor

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# APPENDIX A

## OBJECTIVES



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# FELTON FIRE PROTECTION DISTRICT

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## OBJECTIVES

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

- Whether the Agency complied with applicable sections of the California Government Code (sections 20000 et seq.) and Title 2 of the CCR.
- Whether prescribed reporting and enrollment procedures as they relate to the Agency's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2010 through June 30, 2013. This review did not include an assessment as to whether the Agency is a "public agency", and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

## SUMMARY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
  - Provisions of the contract and contract amendments between the Agency and CalPERS
  - Correspondence files maintained at CalPERS
  - Agency Board minutes and Agency Board resolutions
  - Agency written labor policies and agreements
  - Agency salary, wage and benefit agreements including applicable resolutions
  - Agency personnel records and employee hours worked records
  - Agency payroll information including Contribution Detail Transaction History reports
  - Other documents used to specify payrate, special compensation, and benefits for all employees
  - Various other documents as necessary
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency 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 Agency's governing body in accordance with requirements of applicable public meeting laws.

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- ✓ Reviewed CalPERS listing reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when 960 hours were worked in a fiscal year.
- ✓ Reviewed the Agency's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entities to determine if the Agency shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the Agency or by the affiliated entity.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**

Ron Rickabaugh  
FIRE CHIEF

## FELTON FIRE PROTECTION DISTRICT

Emergency  
911

131 Kirby Street ♦ Felton, California 95018  
Bus: (831) 335-4422 ♦ Fax: (831) 335-2635 ♦ Email: FFPD@pacbell.net

March 24, 2014

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

RE: Employer Code 1665, CALPERS ID 1920391483, Job # P13-052

Dear Ms. Junker,

On behalf of the Felton Fire Protection District, I am responding to the draft report prepared by your office, dated March 17, 2014. It was our pleasure to work with your staff, namely Noah Schreier.

There were two notes made in the report:

- 1) "The Agency's Board approved pay schedule did not agree with the reported pay rate of an employee." We agree. This was a mathematical error which was pointed out by your staff, corrected by Felton Fire staff, presented and adopted, as corrected by the Agency's Board. The error was only reflected on the pay schedule and did not translate to the employee's actual payroll amount.
- 2) "Special compensation of uniform allowance was not reported as earned." We agree. Felton Fire Protection District will track and report special compensation of uniform allowance in the time period earned from here on.

Thank you for this report and acceptance of our response,



Ron Rickabaugh, Fire Chief