

Monterey Peninsula Regional Park District



Public Agency Review



Office of Audit Services

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MONTEREY PENINSULA REGIONAL PARK DISTRICT

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RESULTS IN BRIEF

We reviewed the Monterey Peninsula Regional Park 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:

- Payrate was incorrectly reported for one individual in our sample.
- One temporary/part-time employee was not enrolled in CalPERS membership timely.
- Required health enrollment forms were not maintained.

BACKGROUND

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Employer Services Division (ERSD) manages contract coverage for public agencies and receives, processes, and posts payroll information. CalPERS Benefit Services Division (BNSD) provides services for eligible members who apply for service or disability retirement. BNSD sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Office of Employer and Member Health Services (EMHS), as part of the Health Benefits Branch (HBB), provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

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

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

The District was created in 1972 by a local voter initiative with the primary purpose of protecting and preserving the open space and historical lands within Monterey County and adjacent areas. The District is governed by a five member elected Board of Directors. The District's Benefits and Compensation Supplement and employment agreements outline all District employees' salaries and benefits and state the terms of employment agreed upon between the District and its employees.

The District contracted with CalPERS effective January 1, 1974, to provide retirement benefits for local miscellaneous employees. The District's current contract amendment identifies the length of the final compensation period as twelve months for all coverage groups. The District contracted with CalPERS effective March 1, 1984, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, 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 August 17, 2009 through August 20, 2009.

The review period was limited to the examination of sampled records and processes from July 1, 2006 through June 30, 2009. 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.

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- ✓ 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 calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the District properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health contribution payment information to determine whether the District remitted payments within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the District contributed the correct employee/employer contribution amounts.
- ✓ 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
1. The District may not accurately report compensation to CalPERS.	<p>We reviewed payroll records and compensation reported to CalPERS for a sample of seven employees over two service periods. The service periods reviewed were July 2007 (7/07-0) and December 2008 (12/08-0).</p> <p>The earnings reported to CalPERS were reconciled to the District's payroll records. The District accurately reported compensation to CalPERS for the employees in our sample.</p>	None.
2. The District may not report payrates in accordance with publicly available salary schedules.	We reviewed payrates reported to CalPERS and reconciled the payrates to the District's public salary information to determine whether payrates for the sampled employees were properly paid, authorized and reported to CalPERS. Our sample testing for service period 12/08-0 revealed that the District correctly reported the payrates to CalPERS.	None.
3. The District may not accurately report payroll information to CalPERS.	We reviewed the payroll information reported to CalPERS for the sampled service period 12/08-0. Our sample testing revealed that the District correctly reported the payroll elements to CalPERS.	None.

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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 07/07-0 and 01/08-0 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 excluded all local safety employees from CalPERS membership. The District did not employ any safety employees during the review period.</p> <p><u>Optional Membership</u></p> <p>Elective officers who serve on a public commission, board, council, or similar legislative or administrative body who have continuously served in office held on June 30, 1994, have optional membership rights. Elected or appointed officials elected for the first time on or after July 1, 1994, are not eligible for membership. The District's Board members were elected for the first time after July 1, 1994. Our sample testing revealed that District Board members were properly excluded from membership.</p>	<p>None.</p> <p>None.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>5. The District may not enroll all eligible employees into CalPERS membership. (continued)</p>	<p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of three temporary/part-time employees and examined the number of hours worked in fiscal years 2007/2008 and 2008/2009 to determine whether the employees reached or exceeded the 1,000 hour membership eligibility criterion. Our sample testing revealed the District did not enroll one employee when membership eligibility criterion was met in a timely manner. Specifically, one employee worked a total of 1,491.5 hours during fiscal year 2007/2008 and reached the 1,000 hour membership eligibility criterion as of the pay period ending December 31, 2007. Membership should have been established January 1, 2008.</p> <p>Government Code, § 20305(a)(3)(B), states, in part, “An employee serving on a less than full-time basis is excluded from this system unless 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 1,000 hours of service were completed...”</p> <p>Government Code, § 20044, defines a fiscal year as any year commencing July 1st and ending June 30th next following.</p>	<p>The District should enroll temporary/part-time employees into CalPERS membership when they have reached the membership eligibility criterion.</p> <p>The District should work with CalPERS ERSD to assess the impact of this membership issue and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS ERSD as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
5. The District may not enroll all eligible employees into CalPERS membership. (continued)	<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. We determined that the four selected individuals were properly classified as independent contractors, and correctly excluded from CalPERS membership.</p>	None.
6. The District may unlawfully employ retired annuitants.	The District did not employ retired annuitants during the review period.	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 accurately report unused sick leave balances for retiring CalPERS members.	Effective July 1, 2005, the contractual provision of Government Code, § 20965, credit for unused sick leave, became a mandated benefit for the District. Our sample testing revealed that the District properly reported the balance of unused sick leave for the three sampled retirees.	None.

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The District may not properly enroll eligible employees and their dependents in health benefits.</p>	<p>We reviewed a sample of seven employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the District properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program. However, the District did not have the required Declaration of Health Coverage (HB-12A) form on file for members who enrolled or made changes to their health enrollment subsequent to January 1, 1998. Subsequent to the on-site field work, the District is now compliant and has a HB-12A form for all employees.</p> <p>The 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 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</p>	<p>The District has obtained the HB-12A forms for its employees and is currently compliant with this risk. The District should establish procedures to obtain proper member and dependent enrollment documentation for its new hires and their dependents.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the District and CalPERS HBB as an appendix to our draft report.</p>

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RISK	MITIGATION & OBSERVATION	RECOMMENDATION
<p>9. The District may not properly enroll eligible employees and their dependents in health benefits. (continued)</p>	<p>also must provide the employee a copy of the signed form and keep the original in the employee's file.”</p>	
<p>10. The District may not contribute the appropriate health contribution amounts for active employees.</p>	<p>We reviewed the health contributions reported for December 2008 for the seven sampled employees. We determined that the District contributed the appropriate health contribution amount as part of the sampled members’ total monthly contribution amount.</p>	<p>None.</p>
<p>11. The District may not remit health contributions within the required timeframe.</p>	<p>We reviewed health contribution payments for July 2008 and December 2009. We determined that the District remitted the health contribution payments within the appropriate timeframe.</p>	<p>None.</p>
<p>12. 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 whether the required security documents were properly completed and filed for ACES users. We determined that the District had reasonable security procedures in place and maintained the appropriate security documentation.</p>	<p>None.</p>

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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,

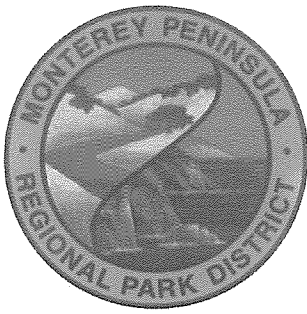
MARGARET JUNKER, CIA, CPA
Interim Chief Auditor,
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Date: June 2010

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APPENDIX

DISTRICT'S WRITTEN RESPONSE



monterey peninsula regional park district

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BOARD OF DIRECTORS

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May 25, 2010

CalPERS Office of Audit Services
Attn: Margaret Junker, CIA, CPA
PO Box 942701
Sacramento, CA 94229-2701

Re: Response to Draft Audit Report

Dear Ms. Junker:

We have reviewed the draft report on the CalPERS compliance review in relation to our agency. We would like to make the following comments in regard to three items of exception in your Risk & Mitigation Table:

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

Observation: Your Mitigation & Observation referenced an incorrectly reported pay rate for one sampled employee in the 7/07 service period.

Response: When our payroll staff became aware of the incorrectly reported pay rate they spoke with CalPers via phone and were instructed to send a fax to Liz Messner with the corrected information as it should have been reported, with the understanding that CalPERS staff would make the needed correction. Staff prepared a cover fax and the payroll listing report with information marked as it should have been reported and sent it to CalPers on 9/18/07. A communication result report from the fax machine confirms receipt. Copies are enclosed for your review. It was our payroll staffs understanding that this report was corrected by CalPers. For this reason we would have concerns with this Item being reportable.

Risk Item #5: The District may not enroll all eligible employees into CalPERS membership.

Observation: One employee worked a total of 1,491.5 hours during fiscal year 2007/2008 and reached the 1,000 hour membership eligibility criterion as of the pay period ending December 31, 2007. Membership should have been established January, 2008.

Response: We do not take exception with the finding, however, the sampled employee has since left employment with the agency and left the state and we have no forwarding contact information. If we are required to make corrective entries or measures, please advise us on how best to proceed.

Risk Item #9: The District may not properly enroll eligible employees and their dependents in health benefits.

Observation: The District properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program. However, the District did not have the required Declaration of Health Coverage (HB-12A) form on file for members who enrolled or made changes to their health enrollment subsequent to January 1, 1998.

Response: When this was brought to our attention during the auditor's visit we immediately complied and obtained all the required forms. It was our staffs understanding that if these were obtained prior to the conclusion of the audit, this would not be a reportable observation.

We appreciate your in depth and extensive review of our agency and are happy to note that your observations showed our overall compliance with the California Government Code with minimal exceptions as noted above. We also thank you for the opportunity to provide comment on the draft report. If you have any questions, please call me at (831) 372-3196 ext. 4.

Sincerely,


JOE DONOFRIO
General Manager

Enclosure