



**California Public Employees' Retirement System**  
**Office of Audit Services**  
P.O. Box 942701-2701  
Sacramento, CA 94229  
TTY: (916) 795-3240  
(916) 795-0900 phone - (916) 795-4023 fax  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

May 26, 2011

Employer Code: 0538  
Job Number: P09-058

North County Fire Protection District of Monterey County  
Chris Orman, Fire Chief  
11200 Speegle Street  
Castroville, CA 95012

Dear Chief Orman:

Enclosed is our final report on the results of the public agency review completed for the North County Fire Protection District of Monterey County. Your agency's written response indicates agreement with the issues noted in the report. The written response is included as an appendix to the report. As part of our resolution process, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

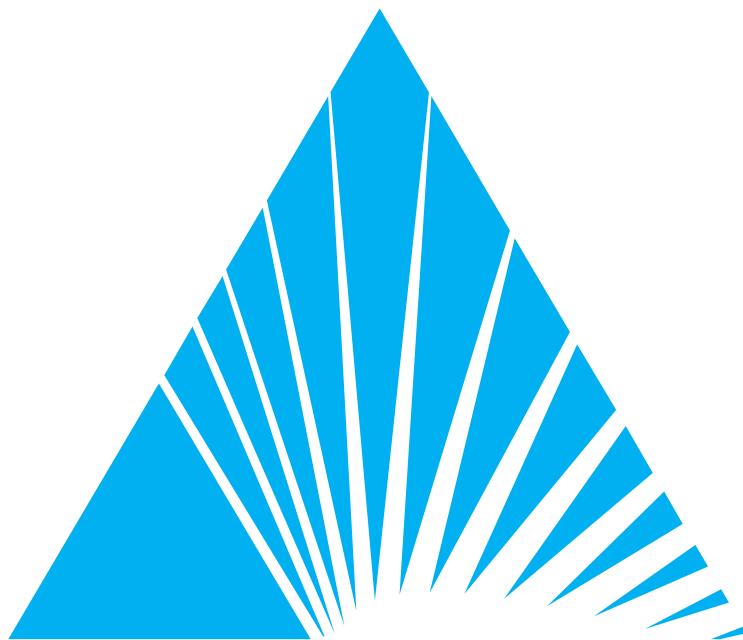
Original Signed by Margaret Junker

MARGARET JUNKER, Chief  
Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS  
Peter Mixon, General Counsel, CalPERS  
Darryl Watson, Chief, CASD, CalPERS  
Mary Lynn Fisher, Chief, BNSD, CalPERS  
Don Martinez, Interim Assistant Chief, HAS, CalPERS

# **Office of Audit Services**



## **Public Agency Review**

**North County  
Fire Protection District  
of Monterey County**

**Employer Code: 0538  
Job Number: P09-058**

**May 2011**

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# **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

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# **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

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## **RESULTS IN BRIEF**

We reviewed the North County Fire Protection District of Monterey County'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:

- Non-reportable item was included in the reported base payrate and regular earnings.
- Non-reportable compensation was reported as special compensation.
- Special compensation was not available to all members of the group or class of employment.
- Fair Labor Standards Act (FLSA) was not reported as earned.
- Retirement contributions were not submitted timely.
- Eligible temporary/part-time employees were not enrolled into membership.
- Unused sick leave balance was incorrectly reported.
- Health contributions were not submitted timely.
- Required ACES user security agreement form was not completed and 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 Customer Account Services Division (CASD) 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 Health Account Services (HAS) section, as part of the CASD, provides eligibility and enrollment services to the members and

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# **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

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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 North County Fire Protection District of Monterey County was established in 1949 and currently serves over 40,000 citizens. The District maintains three strategically located stations encompassing an area of over 123 squares miles. The District is governed by a five member Board of Directors. Memoranda of Understanding (MOU) 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 May 1, 1964, to provide retirement benefits for the fire safety employees. The District's current contract amendment identifies the length of the final compensation period as twelve months. The District contracted with CalPERS effective September 1, 1996 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 May 10, 2010 through May 14, 2010.

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## **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

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The review period was limited to the examination of sampled records and processes from April 1, 2007 through March 31, 2010. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the District had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the District had with its employees.
- ✓ 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 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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# NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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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 eight employees over two service periods. The service periods reviewed were December 2008 (12/08-0) and October 2009 (10/09-0). One additional employee was included in the December 2008 service period to further review payment and reporting of longevity pay.</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, except for the following instances:</p> <p><u>Longevity Pay Not Reported</u></p> <p>The District had a specific MOU for Division Chief level positions during the review period. However, we identified two Division Chiefs who were each provided their own individual MOU's upon promotion to this level. The MOU for the Division Chief's group provided longevity pay. The individual MOU's for the two Division Chiefs did not provide for longevity, nor did the District report the</p> | <p>The District should report longevity pay as special compensation for all employees that are eligible to receive this benefit.</p> <p>The District should work with</p> |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK  | MITIGATION & OBSERVATION   | RECOMMENDATION   |
|---|--|--|
| 1. The District may not accurately report compensation to CalPERS.<br>(continued) | <p>longevity pay to CalPERS. One sampled Division Chief, who was covered under the Division Chief's MOU, received the longevity pay that was paid and correctly reported as special compensation. As a result, longevity pay was not available to all members in this group or class of employment.</p> <p>Government Code § 20636(c)(2), states, in part, "Special compensation shall be limited to that which is received by a member pursuant to a labor policy or agreement or as otherwise required by state or federal law, to similarly situated members of a group or class of employment that is in addition to payrate."</p> <p>Government Code § 20636(e)(1), states, "As used in this part, group or class of employment means a number of employees considered together because they share similarities in job duties, work location, collective bargaining unit, or other logical work-related grouping. One employee may not be considered a group or class."</p> <p>California Code of Regulations § 571(b), states, "The Board has determined that all items of special compensation listed in subsection (a) are: (1) Contained in a written labor policy or agreement; (2) Available to all members in the group or class."</p> | <p>CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the District and CalPERS CASD as an appendix to our draft report.</p> |

# NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|---|---|--|
| 1. The District may not accurately report compensation to CalPERS.<br>(continued) | <p><u>Non-Reportable Compensation Reported</u></p> <p>The District MOU's provided employees with health benefits under an IRS 125 Cafeteria Plan. The MOU's contained language stating any amount over \$600.00 unused by the member would be provided to the member as "in-lieu" pay. The District incorrectly reported the in-lieu pay to CalPERS as special compensation for seven sampled employees. In-lieu pay is not a reportable item of special compensation. In addition, this non-reportable compensation was erroneously included in the calculation for FLSA and holiday pay. As a result, the reported FLSA and holiday pay were overstated.</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 work hours..."</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</p> | <p>The District should immediately discontinue reporting in-lieu pay to CalPERS.</p> <p>The District should work with CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the District and the CalPERS CASD as an appendix to our draft report.</p> |

# NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION  |
|---|---|---|
| 1. The District may not accurately report compensation to CalPERS.<br>(continued)               | <p>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)(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> <p>California Code of Regulations § 571(a), is a list that exclusively identifies and defines special compensation items that are reportable to CalPERS. In-lieu pay is not contained in the Regulations as a reportable item of special compensation.</p> |   |
| 2. The District may not report payrates in accordance with publicly available salary schedules. | <p>We reviewed payrates reported to CalPERS and reconciled the payrates to the District's public salary information to determine whether payrates for the eight sampled employees were properly authorized and reported to CalPERS. The District correctly reported payrates to CalPERS, except for the following instance:</p> <p>We reviewed the October 2009 service period and the salary schedule effective July 1, 2009. The District salary schedule included 1.5 percent on-call premium pay for division chief officers. This on-call premium pay was to</p>   | <p>The District should immediately discontinue reporting on-call premium pay as compensation to CalPERS.</p> <p>The District should work with CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK   | MITIGATION & OBSERVATION  | RECOMMENDATION  |
|--|---|---|
| 2. The District may not report payrates in accordance with publicly available salary schedules.<br>(continued) | <p>compensate the fire department Chief Officers for on-call duty response. On-call duty response pay does not meet the definition of compensation and is not reportable. The District erroneously included this non-reportable on-call premium pay in the base payrate and regular earnings for two sampled employees.</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(a), states, “Compensation earnable by a member means the payrate and special compensation of the member, as defined by subdivisions (b), (c), and (g), and as limited by Section 21752.5.”</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.”</p> <p>California Code of Regulations § 571(a), is a list that exclusively identifies and defines special compensation items that are reportable to CalPERS. Chief officers on-call premium pay is not contained in the Regulations as a reportable item of special compensation.</p> | A confidential list identifying the employees mentioned in this report has been sent to the District and CalPERS CASD as an appendix to our draft report. |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION  |
|---|---|---|
| 3. The District may not accurately report payroll information to CalPERS. | <p>We reviewed the payroll information reported to CalPERS for eight sampled employees during the 10/09-0 service period. Our sample testing revealed that the District correctly reported the payroll information to CalPERS, except for in the following instance:</p> <p>The District's Federal Labor Standards Act (FLSA) cycle started August 25, 2009 and ended September 20, 2009. The District reported the FLSA premium pay in the 10/09-0 service period; however, the FLSA premium pay was earned in the 9/09-0 service period. The District should have reported the FLSA premium pay in the period in which the compensation was earned.</p> <p>Government Code § 20630(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 working hours..."</p> <p>Government Code § 20630(b), states, "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 District should ensure compensation is reported in the period in which the compensation was earned.</p> <p>The District should work with CalPERS CASD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.</p> |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK   | MITIGATION & OBSERVATION   | RECOMMENDATION   |
|--|--|--|
| 4. The District may fail to or did not submit payroll in a timely manner to CalPERS. | <p>We reviewed the payroll information for service periods December 2008 (12/08-0) and October 2009 (10/09-0). We found that payroll information was submitted timely; however, the retirement contributions were submitted late in both service periods. For the December 2008 service period, the contribution payment was dated January 20, 2009. For the October 2009 service period, the contribution payment was dated November 17, 2009. Both payments were submitted and received late.</p> <p>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."</p> | <p>The District should implement procedures to ensure that contributions are submitted and received timely by CalPERS.</p> <p>The District should work with CalPERS CASD to assess the impact of submitting contribution payments late and determine what adjustments, if any, are needed.</p> |
| 5. The District may not enroll all eligible employees into CalPERS membership.       | <p><u>Excluded Employees</u></p> <p>The contract between CalPERS and the District excludes police officers and miscellaneous employees from CalPERS membership. We found the District did not employ police officers nor did they enroll miscellaneous employees during the review period.</p> <p><u>Optional Membership</u></p> <p>Elective officers who serve on a public commission, board,</p>   | <p>None.</p> <p>None.</p>  |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION  |
|---|---|---|
| 5. The District may not enroll all eligible employees into CalPERS membership.<br>(continued) | <p>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 reported that one current board member was appointed prior to June 30, 1994 and has served continuously. However, the District could not confirm whether the board member was offered optional membership.</p> <p>We advised the District that they should offer optional membership to board members who have served continuously since June 30, 1994. We found no instances of improper optional membership enrollment.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We reviewed the temporary/part-time employees who worked in fiscal years 2007/2008 and 2008/2009 to determine whether the individuals met CalPERS membership eligibility requirements. Our sample testing revealed the District properly monitored the hours worked by the temporary/part-time employees to ensure they did not exceed the 1,000 hour membership eligibility requirement.</p> | <p>The District should enroll all temporary/part-time employees immediately upon meeting membership eligibility requirements.</p> <p>The District should work with CalPERS CASD to assess the impact of this enrollment and</p> |

## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

| RISK  | MITIGATION & OBSERVATION   | RECOMMENDATION   |
|---|--|--|
| 5. The District may not enroll all eligible employees into CalPERS membership.<br>(continued) | <p>We also reviewed CalPERS databases to determine if any of the employees met eligibility requirements through membership with another CalPERS covered agency. We found that the District did not properly enroll nine temporary/part-time employees who were eligible based on prior membership. Specifically, four employees were not enrolled timely and five employees were not enrolled at all.</p> <p>Government Code § 20305(a)(1), states, "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 he or she is a member at the time he or she renders that service and is not otherwise excluded pursuant to this article or by a provision of a contract."</p> <p><u>Independent Contractor</u></p> <p>We reviewed the District's IRS 1099 Miscellaneous Income forms for calendar year 2009 in order to identify employees that may be misclassified as independent contractors. We did not identify any employees misclassified as independent contractors.</p> | <p>reporting 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 CASD as an appendix to the draft report.</p> <p>None.</p> |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION |
|---|---|----------------|
| 6. The District may unlawfully employ retired annuitants.   | <p>We reviewed the hours worked for one retired annuitant in fiscal years 2007/2008 and 2008/2009. Our sample testing revealed that the retired annuitant did not exceed the 960-hour threshold.</p> <p>We also determined that a bona fide separation from employment, per Government Code § 21220.5, was not applicable. The District's retired annuitant's date of retirement was prior to the bona fide separation regulation effective date of September 19, 2004.</p> | 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. | We reviewed the District's procedures for processing applications for industrial disability retirement. We found that the District had appeals procedures in place. We identified two individuals who applied for industrial disability retirement during the scope of our review and determined that the District processed the determinations timely.   | None.          |

# NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

| RISK   | MITIGATION & OBSERVATION   | RECOMMENDATION   |
|--|--|--|
| 9. The District may not accurately report unused sick leave balances for retiring CalPERS members. | <p>The District contracted for the optional provision of Government Code § 20965 (credit for unused sick leave). During the review period the District had six employees who retired. We selected all six retirees to determine if the District accurately certified the retirees' unused sick leave days for additional service credit.</p> <p>We reviewed District payroll records and the balance of unused sick leave reported to CalPERS. We found that the District correctly reported the unused sick days for five of the six retirees.</p> <p>In one instance a retiree received a cash payment for 582 hours at separation for retirement. When the District reported the unused sick leave the 582 hours was incorrectly included in the total amount reported.</p> <p>Government Code § 20965, states, "A local miscellaneous member and local safety member, whose effective date of retirement is within four months of separation from employment with the employer which granted the sick leave credit, shall be credited at his or her retirement with 0.004 years of service credit for each unused day of sick leave certified to the board by his or her employer. The certification shall report only those days of unused sick leave that were accrued by the member during the normal</p> | <p>The District should ensure the unused sick leave balances reported at retirement are accurate.</p> <p>The District should work with CalPERS BNSD to determine the impact of this incorrect reporting and what adjustments, if any, are needed.</p> <p>A confidential list identifying the retiree mentioned in this report has been sent to the District and CalPERS BNSD as an appendix to the draft report.</p> |

## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

| RISK  | MITIGATION & OBSERVATION  | RECOMMENDATION   |
|---|---|--|
| 9. The District may not accurately report unused sick leave balances for retiring CalPERS members.<br>(continued) | course of his or her employment and shall not include any additional days of sick leave reported for the purpose of increasing the member's retirement benefit. Reports of unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found."                                |  |
| 10. The District may not properly enroll eligible employees and their dependents in health benefits.              | We reviewed a sample of eight 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.  | None.  |
| 11. The District may not contribute the appropriate health contribution amounts for active employees.             | We reviewed the health contributions reported for December 2009. We determined that the District contributed the appropriate health contribution amount as part of the sampled employees' total monthly premium amount.   | None.  |
| 12. The District may not remit health contributions within the required timeframe.                                | We reviewed the health contributions remitted for October 2008 and March 2009 to determine whether the agency remitted contributions within the required timeframe.<br><br>We determined that the District did not remit the sampled health contribution payments within the required timeframe. The October 2008 payment was received by | The District should remit health contribution payments within the required timeframe.<br><br>The District should work with CalPERS' HAS to determine what adjustments, if any, are needed. |

## **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

| RISK  | MITIGATION & OBSERVATION   | RECOMMENDATION  |
|---|--|---|
| 12. The District may not remit health contributions within the required timeframe.<br>(continued) | <p>CalPERS on October 15, 2008 (five days late). The March 2009 payment was received on March 11, 2009 (one day late).</p> <p>Government Code § 22899(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.”</p> <p>California Code of Regulations § 599.515(b), states, “The agency shall file in Health Benefits Division on or before the tenth day of each month such reports covering the employees and annuitants enrolled as of the first day of the month as the Board may require, and the total contributions due for each. The report shall be accompanied by payment of the total of such contributions for employees and the employer contributions due for annuitants of the agency enrolled under the program and the employer contribution for administrative costs and the Public Employees’ Contingency Reserve Fund.”</p> |   |
| 13. The District may not maintain appropriate ACES security procedures.                           | 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.  | The District should ensure that ACES user security agreements are completed timely and retained in a secure worksite location for the life of the |

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## NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY

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| RISK   | MITIGATION & OBSERVATION   | RECOMMENDATION  |
|--|--|---|
| 13. The District may not maintain appropriate ACES security procedures.<br>(continued) | <p>We determined that the District had reasonable security procedures in place for the ACES user password and ID; however, the District was missing an Employer User Security Agreement (AESD-43) for one employee who had access to ACES. During the on-site fieldwork, the District completed an AESD-43 for this employee.</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 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.</p> | <p>Agreements and for two years following the deactivation or termination of the Agreements.</p> <p>A confidential list identifying the employee mentioned in this section of the report has been sent to the District and CalPERS CASD as an appendix to our draft report.</p> |

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# **NORTH COUNTY FIRE PROTECTION DISTRICT OF MONTEREY COUNTY**

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## **CONCLUSION**

We limited this review to the areas specified in the scope section of this report. We limited our test of transactions to samples of the District's payroll reports and personnel records. The sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code, except as noted above.

Respectfully submitted,

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

Date: May 2011  
Staff: Michael Dutil, CIA, Senior Manager  
Diana Thomas, CIDA, Manager  
Terry Heffelfinger  
Carol Northrup

# NORTH COUNTY FIRE PROTECTION DISTRICT

of Monterey County

April 13, 2011

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

Dear Ms. Junker,

Thank you for the input regarding our compliance with CalPERS rules. We made many changes in response to the audit and there are still a couple we are working to resolve. Below is a rundown of the issues and where we believe we are relative to them:

1. The District may not accurately report compensation to CalPERS  
*"The District should report longevity pay as a special compensation for all employees".*

All employees who receive longevity now have it reported.

*"The District should immediately discontinue reporting in-lieu pay to CalPERS.*

**It was stopped in May 2010.**

2. The District may not report pay rates in accordance with publicly available salary schedules.

*"The District should immediately discontinue the reporting of the on call premium pay..."*

The 1.5% premium pay no longer is a part of the DC MOU.

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

*"The District should have reported the FLSA premium pay in the period in which the compensation was earned"*

The District will work to resolve this issue. The problem is that pay periods and FLSA periods do not run concurrently. It is tremendously difficult to prorate FLSA pay that overlaps two pay periods. Perhaps there is training you can provide to deal with this issue.

4. The District may fail to or did not submit payroll in a timely manner to CalPERS

Serving  
Castroville  
Elkhorn  
Las Lomas  
Moss Landing  
Oak Hills  
Pajaro  
Prunedale  
Royal Oaks

11200 Speegle Street, Castroville, CA 95012-2546 • (831) 633-2578 or 722-7833 Fax (831) 633-2572



*"...contributions shall be receive...on or before 15 calendar days following the last day of the pay period to which they refer"*

**The District will work to resolve this issue.**

5. The District may not enroll all eligible employees into CalPERS membership.

**We will check new hire SSN against PERS online membership. Staff will continue to track weekly hours on reserve firefighters.**

12. The District should remit health contribution payments within the required timeframe.

**The District will work to resolve this issue. In the instance cited (and is typically the case) the invoice was paid and mailed on the 4<sup>th</sup> of the month and we relied on the U.S. Postal service to get it to CalPERS.**

13. The District may not maintain appropriate ACES security procedures.

**This issue was resolved during the audit and we will continue to monitor for compliance.**

I have shared the audit report and this letter of response with our Board of Directors. We will work to change to policies or procedures so as to facilitate compliance.

Again, thank you for the input and keeping us on track and in compliance with CalPERS rules and with State law. Your work is appreciated.

Sincerely,  
  
Chris W. Orman, Fire Chief

cc: Board of Directors