

Office of Audit Services



Public Agency Review

Suisun Fire Protection District

**CalPERS ID: 1421267865
Job Number: P14-068**

July 2015



California Public Employees' Retirement System
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July 24, 2015

CalPERS ID: 1421267865
Job Number: P14-068

Ronald Glantz, Fire Chief
Suisun Fire Protection District
445 Jackson Street
Fairfield, CA 94533

Dear Chief Glantz:

Enclosed is our final report on the results of the public agency review completed for the Suisun Fire Protection District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 3. Based on your written response and after further review of Finding 3, our recommendation remains as stated in the report. However, we have modified the report to clarify the issue.

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. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Young Hamilton

YOUNG HAMILTON, Acting Chief
Office of Audit Services

Enclosure

cc: Board of Commissioners, Suisun Fire Protection District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS
Carene Carolan, Chief, MAMD, CalPERS

SUISUN FIRE PROTECTION DISTRICT

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SUISUN FIRE PROTECTION DISTRICT

RESULTS IN BRIEF

The primary objective of our review was to determine whether the Suisun Fire Protection District (Agency) complied with applicable sections of the California Government Code, California Public Employees' Pension Reform Act of 2013 (PEPRA), 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.

- Pay schedule did not meet all the Government Code and CCR requirements.
- Special compensation was incorrectly reported.
- Part-time employee was not enrolled upon meeting eligibility requirements.

OAS recommends the Agency comply with applicable sections of the California Government Code, PEPRA, 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 October 1, 1972 to provide retirement benefits for local safety (fire) 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 2014-15, the OAS reviewed the Agency's payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. The review period was limited to the examination of sampled employees, records, and pay periods from January 1, 2012 through December 31, 2014. 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 pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

The Agency's pay schedule did not meet all of the Government Code and CCR requirements. Specifically, the pay schedule did not identify the position title and payrate for the Extra Help Firefighters.

Only compensation earnable as defined under Government Code Section 20636 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636(b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

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Recommendation:

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636

CCR: § 570.5

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2: The Agency incorrectly reported Uniform Allowance.

Condition:

The Agency incorrectly reported Uniform Allowance for a classic member who was required to wear uniforms. Specifically, the Agency's written labor policy provides for an annual Uniform Allowance of \$400.00. The Agency incorrectly reported the Uniform Allowance as a lump sum instead of in the pay period in which it was earned. Pursuant to Government Code Section 20636 (c)(3), the Agency shall identify the pay period in which the special compensation was earned.

Recommendation:

The Agency should ensure the Uniform Allowance for the classic member is correctly reported and identify the pay period in which the special compensation was earned.

The Agency should work with CalPERS EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20630, § 20636
CCR: § 571

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3: The Agency did not enroll a part-time employee upon meeting CalPERS membership eligibility.

Condition:

The Agency did not enroll a part-time employee into membership when eligibility requirements were met. Government Code Section 20305 states that part-time employees are excluded from the CalPERS retirement system unless the employee is a member at the time he or she renders service and is not otherwise excluded by contract. OAS reviewed a part-time employee who was hired by the Agency in 2008 and enrolled into membership July 1, 2012 by another CalPERS contracting employer. The Agency's records show the employee did not work in fiscal year 2012-13; however, the employee worked a total of 376 hours in fiscal year 2013-14. CalPERS records show the Agency did not enroll the employee when rendering service to the Agency subsequent to establishing CalPERS membership. The Agency explained they were not aware the employee became a CalPERS member as the enrollment occurred after the employee was originally hired. The Agency should have enrolled the employee subsequent to the membership date to ensure the member received the appropriate amount of service credit and accurate benefits upon retirement.

Recommendation:

The Agency should ensure that part-time employees with active membership are enrolled.

The Agency should work with CalPERS EAMD to identify and make adjustments, if necessary, to any impacted member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20044, § 20160, § 20283, § 20305

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives 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, of California Code of Regulations.

Respectfully submitted,

Original signed by Young Hamilton

YOUNG HAMILTON, CPA, CIA, CISA
Acting Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Chris Wall, Senior Manager
Nuntawan Camyre, Auditor
Alicia Watts, Lead Auditor

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APPENDIX A

OBJECTIVES

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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.), California Public Employees' Pension Reform Act of 2013 (PEPRA) 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.

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first-time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

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 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

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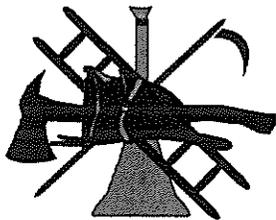
accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the Agency's governing body in accordance with requirements of applicable public meetings laws.

- ✓ Reviewed CalPERS 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 unlawful employment occurs.
- ✓ 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.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

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APPENDIX B

AGENCY'S WRITTEN RESPONSE



SUISUN FIRE PROTECTION DISTRICT

445 Jackson St
Fairfield, Ca 94533

June 18, 2015

Young Hamilton
Office of Audit Services
P.O. Box 942701
Sacramento, Ca 94229-2701

Re: CalPERS ID: 1421267865, Job number P14-068

Young Hamilton,

The Board of Commissioners of the Suisun Fire Protection District has reviewed the draft report regarding the District's contract with California Public Employees' Retirement system. We find that we do not agree with the third bullet point.

Sincerely

A large black rectangular redaction box covers the signature area, obscuring the name and any handwritten notes.

Original signed by Ronald D. Glantz

Ronald D. Glantz
Fire Chief