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February 22, 2011

Employer Code: 0211

Job Number: P10-004

Veterans Home of California Post Fund
Lynn Johnson, Finance Director
130 California Drive
Yountville, CA 94599

Dear Ms. Johnson:

Enclosed is our final report on the results of the public agency review completed for the Veterans Home of California Post Fund. Your agency's written response indicates the Post Fund no longer employs staff; therefore, the first four issues noted will no longer occur and agreement with the final issue 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, CPA, CIA, CIDA
Chief, Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Don Martinez, Interim Chief, EMHS, CalPERS
Honorable Board Members, Veterans Home of California Post Fund

Veterans Home of California Post Fund



Public Agency Review



Office of Audit Services

Employer Code: 0211
Job Number: P10-004

March 2011

VETERANS HOME OF CALIFORNIA POST FUND

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VETERANS HOME OF CALIFORNIA POST FUND

RESULTS IN BRIEF

We reviewed the Veterans Home of California Post Fund's (Post Fund) 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 compensation (overtime and vacation cash out) was reported.
- Eligible employees were not enrolled timely in CalPERS membership.
- Required health enrollment forms were not maintained.
- Eligible employees were not enrolled timely in CalPERS Health Benefits Program.
- Required ACES user security agreement 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.

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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 Veterans Home of California Post Fund Enterprises (Post Fund) provides quality of life services to the members of the veterans' community through the Morale, Welfare and Recreation Fund. Post Fund Enterprises is used to account primarily for the activities of the coffee shop, baseball field, bowling alley, picnic grounds, and tavern operations of the Veterans Home. The Post Fund's policy manual outlines Post Fund employees' salaries and benefits and state the terms of employment agreed upon between the Post Fund and its employees.

The Post Fund contracted with CalPERS effective November 1, 1948, to provide retirement benefits for local miscellaneous employees. The Post Fund's current contract amendment identifies the length of the final compensation period as three years. The Post Fund contracted with CalPERS effective September 1, 1979, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the Post Fund's payroll reporting and enrollment processes as these processes relate to the Post Fund's health and retirement contracts with CalPERS. The objective of this review was limited to the determination that the Post Fund 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 July 26, 2010 through July 29, 2010.

The review period was limited to the examination of sampled records and processes from April 1, 2007 through June 30, 2010. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the contract and subsequent amendments the Post Fund had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Post Fund had with its employees.

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- ✓ Interviewed key staff members to obtain an understanding of the Post Fund's personnel and payroll procedures.
- ✓ Reviewed the payroll transactions and compared the Post Fund's payroll register with the data reported to CalPERS to determine whether the Post Fund correctly reported employees' compensation.
- ✓ Reviewed the Post Fund's payroll information reported to CalPERS to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Post Fund'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 Post Fund'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 Post Fund's classification of employees to determine whether the Post Fund reported employees in the appropriate coverage groups.
- ✓ Reviewed the Post Fund's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the Post Fund properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Reviewed health contribution payment information to determine whether the Post Fund remitted payments within the required timeframe.
- ✓ Reviewed health contribution payments to determine whether the Post Fund contributed the correct employee/employer contribution amounts.
- ✓ Determined whether the Post Fund 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 |
|--|---|--|
| <p>1. The Post Fund may not accurately report compensation to CalPERS.</p> | <p>We reviewed payroll records and compensation reported to CalPERS for a sample of eight employees over three service periods. The service periods reviewed were December 2009 (12/09-0), March 2010 (3/10-0) and June 2010 (6/10-0).</p> <p>The earnings reported to CalPERS were reconciled to the Post Fund's payroll records. The Post Fund accurately reported compensation to CalPERS for the employees in our sample, except for the following instance.</p> <p><u>Non-reportable Compensation Reported</u></p> <p>The Post Fund paid and reported overtime pay for two employees during the 3/10-0 service period. Overtime compensation is not reportable.</p> <p>In addition, the Post Fund paid and reported a vacation cash out for one sampled employee in the amount of \$5,648.94 during the 6/10-0 service period. Cash outs are not reportable items of compensation.</p> | <p>The Post Fund should not report items of compensation that do not meet the definition of reportable compensation.</p> <p>The Post Fund should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments,</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|---|
| <p>1. The Post Fund may not accurately report compensation to CalPERS. (continued)</p> | <p>Government Code § 20630(a), states, in pertinent 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 or for time during which the member is excused from work."</p> | <p>if any, are needed.</p> <p>A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS ERSD as an appendix to our draft report.</p> |
| <p>2. The Post Fund may not report payrates in accordance with publicly available salary schedules.</p> | <p>We reviewed payrates reported to CalPERS during the March 2010 (3/10-0) service period and reconciled the payrates to the Post Fund's public salary information to determine whether payrates for the sampled employees were properly paid, authorized and reported. We determined the Post Fund properly paid and reported payrates for the sampled employees.</p> | <p>None.</p> |
| <p>3. The Post Fund may not accurately report payroll information to CalPERS.</p> | <p>We reviewed the payroll information reported to CalPERS for the sampled service periods (12-09-0, 3/10-0, and 6/10-0). Our sample testing revealed that the Post Fund correctly reported the payroll information to CalPERS.</p> | <p>None.</p> |
| <p>4. The Post Fund may fail to or did not submit payroll in a timely manner to CalPERS.</p> | <p>We reviewed the payroll information for service periods 12/09-0 and 3/10-0 and found that payroll information and contributions were submitted within required timeframes.</p> | <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|--|--|
| <p>5. The Post Fund may not enroll all eligible employees into CalPERS membership.</p> | <p><u>Excluded Employees</u></p> <p>The contract between CalPERS and the Post Fund excluded local safety employees from CalPERS membership. The Post Fund did not employ safety employees; therefore, no instances of enrollment were noted.</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. In addition, veterans holding board positions who were eligible for optional membership did not opt to be enrolled. The Post Fund properly excluded board members from enrollment.</p> <p><u>Temporary/Part-time Employees</u></p> <p>We selected a sample of eight temporary/part-time employees including the Post Funds part-time bus drivers to determine whether the individuals met CalPERS membership eligibility requirements. Our sample testing revealed the Post Fund properly excluded the</p> | <p>None.</p> <p>None.</p> <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|--|---|
| <p>5. The Post Fund may not enroll all eligible employees into CalPERS membership. (continued)</p> | <p>temporary/part-time employees from membership.</p> <p><u>Timely Enrollment of Full Time or Permanent Employees</u></p> <p>We reviewed the personnel action forms for the sampled employees and their effective enrollment date by the Post Fund. The sampled employees were either hired into a full time, continuous employment in excess of six months, or into part-time service for at least an average of 20 hours per week for one year or longer. We determined six sampled employees were not timely enrolled into membership upon employment the Post Fund.</p> <p>Government Code § 20305(a), states in part, "An employee serving on a less than full-time basis is excluded from this system unless: (1) He or she is a member at the time he or she renders less than full-time service and is not otherwise excluded pursuant to this article or by a provision of a contract. (2) His or her position requires regular, part-time service for one year or longer for at least an average of 20 hours a week, or requires service that is equivalent to at least an average of 20 hours a week..."</p> <p>Government Code § 20283, states, "Any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have</p> | <p>The Post Fund should ensure that all full-time and full-time equivalent employees are enrolled timely when membership eligibility requirements are met.</p> <p>The Post Fund should work with CalPERS ERSD to assess the impact of the late enrollments 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 Post Fund and CalPERS ERSD as an appendix to our draft report.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|--|----------------|
| <p>5. The Post Fund may not enroll all eligible employees into CalPERS membership. (continued)</p> | <p>known of that eligibility shall be required to pay all arrears costs for member contributions and administrative cost of five hundred dollars (\$500) per member as a reimbursement to this system's current year budget."</p> <p>The CalPERS Procedure Manual, page 25, states in part, "Many employees should enter CalPERS membership immediately upon employment, namely:</p> <ul style="list-style-type: none"> • Employees hired to work full-time more than six months. • Employees working regular, part-time service who work at least an average of 20 hours a week' for one year or longer." | |
| <p>6. The Post Fund may unlawfully employ retired annuitants.</p> | <p>We reviewed the hours worked for one retired annuitant in 2008/2009 and 2009/2010 fiscal years. Our sample testing revealed that the retired annuitant did not exceed the 960 hour threshold. We also determined that a bona fide separation from employment, per Government Code § 21220.5, was not needed as the sampled retired annuitant's age at retirement was beyond the normal retirement age.</p> | <p>None.</p> |
| <p>7. The Post Fund may not appropriately report members under the proper coverage group code.</p> | <p>Our sample testing revealed that the Post Fund reported individuals under the appropriate coverage group code.</p> | <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|---|--|
| <p>8. The Post Fund may not accurately report unused sick leave balances for retiring CalPERS members.</p> | <p>Effective July 1, 2005, the contractual provision of Government Code § 20965, credit for unused sick leave, became a mandated benefit for the Post Fund. Our sample testing revealed that the Post Fund properly reported the balance of unused sick leave for the sampled retiree.</p> | <p>None.</p> |
| <p>9. The Post Fund may not properly enroll eligible employees and their dependents in health benefits.</p> | <p>We reviewed a sample of six employees to assess the health benefits eligibility and enrollment of members and their dependents. Our sample testing revealed that the Post Fund properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except for the following:</p> <p><u>Eligible Employees Were Not Enrolled Timely</u></p> <p>Sampled employees with appointment dates that exceeded six months, or their time-base was half-time or greater, were not enrolled timely into health membership. Specifically, four sampled employees were not offered health benefits based on the time base appointment in a timely manner. The Post Fund should have offered health benefits to the employees based on their time base eligibility and completed enrollment forms within 60 days of eligibility.</p> <p>CalPERS Health Benefits Program Public Agency Manual,</p> | <p>The Post Fund should offer employees health benefits, and enroll those who accept, when they meet eligibility.</p> <p>The Post Fund should work with CalPERS HBB to assess the impact of the late enrollments and determine what adjustments, if any, are needed.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|---|---|
| <p>9. The Post Fund may not properly enroll eligible employees and their dependents in health benefits. (continued)</p> | <p>page 03-01, states in part, "Eligibility is based on tenure and time base of an employee's qualifying appointment. The employee's classification or title is not used to determine eligibility. Only employees with appointments that are at least six months and one day (Tenure) and half time or greater (Time Base) are eligible to enroll. Enrollment must be requested within 60 days from the date of the qualifying appointment. The effective date is the first of the month following the date the request is received by the Health Benefits Officer."</p> <p><u>Health Enrollment Forms Were Not Properly Maintained</u></p> <p>The Post Fund had Health Benefit Plan Enrollment (HBD-12) forms on file for five of the six sampled members. However, dates and/or signatures were not obtained for three of the sampled members and the HBD-12 was not on file for the sampled member who declined health enrollment. In addition, Declaration of Health Coverage (HB-12A) forms were not on file for all the sampled members.</p> <p>The 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</p> | <p>A confidential list identifying the members mentioned in this section of the report has been sent to the Post Fund and CalPERS HBB as an appendix to our draft report.</p> <p>The Post Fund must ensure that the proper member and dependent enrollment documentation is on file at the Post Fund within 60 days from the date of our final report.</p> <p>Please send an email to: <i>HBB_Audit_Services@calpers.ca.gov</i> once the requested documentation is on file. The CalPERS HBB may be contacted at (916) 795-3836 with any questions.</p> |

VETERANS HOME OF CALIFORNIA POST FUND

| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|---|
| <p>9. The Post Fund may not properly enroll eligible employees and their dependents in health benefits. (continued)</p> | <p>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 HBD-12 form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.</p> <p>California Code of Regulation § 599.500(h), states, "Register not to enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing not to be enrolled in a health benefits plan."</p> <p>California Code of Regulations § 599.500(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."</p> | <p>A confidential list identifying the members mentioned in this section of the report has been sent to the Post Fund and CalPERS HBB as an appendix to our draft report.</p> |
| <p>10. The Post Fund may not contribute the appropriate health contribution amounts for active employees.</p> | <p>We reviewed the health contributions reported for March 2010. We determined that the Post Fund contributed the appropriate health contribution amount as part of the sampled members' total monthly contribution amount.</p> | <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|---|---|
| <p>11. The Post Fund may not remit health contributions within the required timeframe.</p> | <p>We selected the January 2010, March 2010, and June 2010 health contributions to determine if the Post Fund remitted contribution payments timely. We determined that the Post Fund remitted the health contribution payments within the appropriate timeframe.</p> | <p>None.</p> |
| <p>12. The Post Fund may not maintain appropriate ACES security procedures.</p> | <p>We reviewed the security procedures for the Post Fund'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.</p> <p>The Post Fund did not properly maintain an ACES <i>Employer User Security Agreement</i> (AESD-43) for an authorized user. The AESD-43 was completed and retained after the review was scheduled. In addition, a <i>Delete ACES Users Access Form</i> (AESD-42) for a disabled ACES user was not completed and maintained. The AESD-42 was completed and retained during the on-site field visit.</p> <p>CalPERS ACES security procedures outlined on the CalPERS website at www.calpers.ca.gov 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. An AESD-42 must be</p> | <p>The Post Fund should ensure that ACES user security agreements are completed timely 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.</p> <p>A confidential list identifying the employees mentioned in this report has been sent to the Post Fund and CalPERS ERSD as an appendix to our draft report.</p> |

VETERANS HOME OF CALIFORNIA POST FUND

| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|----------------|
| <p>12. The Post Fund may not maintain appropriate ACES security procedures. (continued)</p> | <p>completed and submitted to CalPERS when requesting the deletion of a user account. Agencies must complete and submit this form to notify CalPERS when an employee will no longer be an ACES user.</p> <p>State law requires that all CalPERS sensitive or confidential information must be protected, and used only for performing official CalPERS business. 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> | |

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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 Post Fund'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: February 2011

Staff: Michael Dutil, CIA, Senior Manager
Diana Thomas, CIDA, Manager
Nancy Sayers
Karen Harlan

APPENDIX A

STATUS OF PRIOR REVIEW

**FOLLOW UP ON PRIOR REVIEW FINDINGS
 VETERANS HOME OF CALIFORNIA POST FUND EMPLOYER CODE 0211
 PRIOR REVIEW P02-041, DATED APRIL 2003**

| <i>Prior Review Finding</i> | <i>Prior Review Recommendation</i> | <i>Status of Prior Recommendation</i> |
|--|--|--|
| 1. The Post Fund may not accurately report earnings to CalPERS | The Post Fund should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed. | Similar finding noted in the current report. Non reportable compensation (overtime and vacation cash out) was reported. In addition, the previous reports finding stated the employee was not timely enrolled into membership. A similar finding is noted in the current report. |
| 2. The Post Fund may not correctly process payroll reported to CalPERS | The Post Fund should review the payroll reporting elements section of the CalPERS Procedure Manual to ensure that they are correctly reporting payroll. | Implemented. No similar observations were noted. |
| 3. The Post Fund may not pay employees pursuant to public salary information | The Post Fund should ensure that all employees' salaries are reported within the parameters of the salary schedules or publicly available ordinances. Salary schedules should be kept current to reflect any approved salary increases. | Implemented. No similar observations were noted. |
| 4. The Post Fund may not enroll all eligible employees into CalPERS membership | The Post Fund should begin monitoring the hours worked by Veteran's Home Members and notify them of their option to enroll in CalPERS membership within 90 days of eligibility. The Post Fund should review all hours worked by Veteran's Home Members to determine if and when they became eligible for CalPERS membership. | Implemented. No similar observations were noted. |

Conclusion: The Post Fund implemented the recommendations of our prior review, with exception to finding #1. Specifically, the Post Fund reported non reportable compensation for two sampled employees. In addition, the Post Fund did not timely enroll eligible employees into membership. No similar observations were noted for prior report findings #2, #3, and #4.

APPENDIX B

POST FUND'S WRITTEN RESPONSE

DEPARTMENT OF VETERANS AFFAIRS
VETERANS HOME OF CALIFORNIA, YOUNTVILLE
FINANCIAL MANAGEMENT DEPARTMENT
120 CALIFORNIA DRIVE
YOUNTVILLE, CALIFORNIA 94599
Telephone: (707) 944-4515



February 4, 2011

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

Dear Ms. Junker:

Enclosed is the Veterans Home of Yountville's response to your draft report on the review of the Veterans Home of California Post Fund.

Please contact me at (707) 944-4515 if you need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Lynn Johnson".

LYNN JOHNSON
Fiscal Officer

cc: Marcella McCormack, Administrator

**RISK 1 THE POST FUND MAY NOT ACCURATELY REPORT
COMPENSATION TO CALPERS.**

Mitigation & Observation:

Non-Reportable Compensation Reported

The Post Fund paid and reported overtime pay for two employees during the 3/10-0 service period. Overtime compensation is not reportable compensations.

In addition, the Post Fund paid and reported a vacation cash-out for one sampled employee in the amount of \$5,648.94 during the 6/10-0 service period. Vacation cash out is not a reportable item of compensation.

Government Code § 20630(a), states, in pertinent 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 or for times during which the member is excused from work."

Recommendation:

The Post Fund should not report items of compensation that do not meet the definition of compensation.

The Post Fund should work with CalPERS ERSD to assess the impact of this incorrect reporting and determine what adjustments, if any, are needed.

A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS ERSD as an appendix to our draft report.

Veterans Home Response:

The Post Fund no longer employs staff effective July 1, 2010. Therefore, compensation will no longer be reported to CalPERS.

RISK 5 THE POST FUND MAY NOT ENROLL ALL ELIGIBLE EMPLOYEES INTO CALPERS MEMBERSHIP.

Mitigation & Observation:

Timely Enrollment of Full Time or Permanent Employees

We reviewed the personnel action forms for the sampled employees and their effective enrollment date by the Post Fund. The sampled employees were either hired into a full time, continuous employment in excess of six months, or into part-time service for at least an average of 20 hours per week for one year or longer. We determined six sampled employees were not timely enrolled into membership upon employment to the Post Fund.

Government Code § 20305(a), states in part, "An employee serving on a less than full time basis is excluded from this system unless: (1) He or she is a member at the time he or she renders less than full-time service and is not otherwise excluded pursuant to this article or by a provision of a contract. (2) His or her position requires regular, part-time service for one year or longer for at least an average of 20 hours a week, or requires service that is equivalent to at least an average of 20 hours a week..."

Government code § 20283, states, "Any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all arrears costs for member contributions and administrative cost of five hundred dollars (\$500) per member as a reimbursement to this system's current year budget."

The CalPERS Procedure Manual, page 25, states in part, "Many employees should enter CalPERS membership immediately upon employment, namely:

- Employees hired to work full-time more than six months.
- Employees working regular, part-time service who work an average of 20 hours a week for one year or longer."

Recommendation:

The Post Fund should ensure that all full-time and full-time equivalent employees are enrolled timely when membership eligibility requirements are met.

The Post Fund should work with CalPERS ERSD to assess the impact of the late enrollments and determine what adjustments, if any, are needed.

Recommendation (cont.):

A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS ERSD as an appendix to our draft report.

Veterans Home Response:

The Post Fund no longer employs staff effective July 1, 2010. There is no future need to enroll with CalPERS.

RISK 9 THE POST FUND MAY NOT PROPERLY ENROLL ELIGIBLE EMPLOYEES AND THEIR DEPENDENTS IN HEALTH BENEFITS.

Mitigation & Observation:

Eligible Employees Were Not Enrolled Timely

Sampled employees with appointment dates that exceeded six months, or their time-base was half-time or greater, were not enrolled timely into health membership. Specifically, four sampled employees were not offered health benefits based on the time base appointment in a timely manner. The Post Fund should have offered health benefits to the employees based on their time base eligibility and completed enrollment forms within 60 days of eligibility.

CalPERS Health Benefits Program Public Agency Manual, page 03-01, states in part, "Eligibility is based on tenure and time base of an employee's qualifying appointment. The employee's classification or title is not used to determine eligibility. Only employees with appointments that are least six months and on day (Tenure) and half-time or greater (Time Base) are eligible to enroll. Enrollment must be requested within 60 days from the date of the qualifying appointment. The effective date is the first of the month following the date the request is received by the Health Benefits Officer."

Recommendation:

The Post Fund should offer employees health benefits, and enroll those who accept, when they meet eligibility.

The Post Fund should work with CalPERS HBB to assess the impact of the late enrollments and determine what adjustments, if any, are needed.

A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS HBB as an appendix to our draft report.

Veterans Home Response:

The Post Fund no longer employs staff effective July 1, 2010. There is no future need to enroll for health benefits with CalPERS.

RISK 9 THE POST FUND MAY NOT PROPERLY ENROLL ELIGIBLE EMPLOYEES AND THEIR DEPENDENTS IN HEALTH BENEFITS.

Mitigation & Observation:

Health Enrollment Forms Were Not Properly Maintained

The Post fund had Health Benefit Plan Enrollment (HBD-12) forms on file for five of the six sampled members. However, the dates and/or signatures were not obtained for three of the sampled members and the HBD-12 was not on file for the sampled member who declined health enrollment. In addition, Declaration of Health Coverage (HB-12A) forms were not on file for all the sampled members.

The 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 12-A 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 dependant, or canceling health benefits. The employer must provide the HB 12-A at the time the employee requests enrollment or with the HBD-12 form. The employer also must provide the employee a copy of the signed form and keep the original in the employee's file.

California Code of Regulations § 599.500(h), states, "Register not to enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing not to be enrolled in a health plan."

California Code of Regulations § 599.500(h), states, "Enroll means to file with the employing office a properly completed Health Benefits Plan Enrollment Form electing to be enrolled in a health plan."

Recommendation:

The Post Fund must ensure that the proper member and dependant enrollment documentation is on file at the Post Fund within 60 days from the date of our final report.

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

A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS HBB as an appendix to our draft report.

Veterans Home Response:

The Post Fund no longer employs staff effective July 1, 2010. All forms disenrolling members from CalPERS health benefits are being maintained in the employce file.

RISK 12 THE POST FUND MAY NOT MAINTAIN APPROPRIATE ACES SECURITY PROCEDURES

Mitigation & Observation:

We reviewed the security procedures for the Post Fund'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 Post Fund did not properly maintain an ACES *Employer User Security Agreement* (AESD-43) for an authorized user. The AESD-43 was completed and retained after our review was scheduled. In addition, a *Delete ACES Users Access Form* (AESD-42) for a disabled ACES user was not completed and maintained. The AESD 42 was completed and maintained during our onsite field visit.

CalPERS ACES security procedures outlined on the CalPERS website at www.calpers.ca.gov 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 request. An AESD-42 must be completed and submitted to CalPERS when requesting the deletion of a user account. Agencies must complete and

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Mitigation & Observation (cont.):

submit this form to notify CalPERS when an employee will no longer be an ACES user.

State law requires that all CalPERS sensitive or confidential information must be protected, and used only for performing official CalPERS business. 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.

Recommendation:

The Post Fund should ensure that ACES user security agreements are completed timely and retained in a secure worksite location for the life of the Agreement and for two years following the deactivation or termination of the Agreements.

A confidential list identifying the employees mentioned in this section of the report has been sent to the Post Fund and CalPERS ERSD as an appendix to our draft report.

Veterans Home Response:

The Home concurs with this recommendation.