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March 10, 2011

Employer Code: 5118-5235
Job Number: P09-062

Department of Corrections and Rehabilitation
Elizabeth Parino, Associate Chief
Transactions Section
Office of Personnel Services
1515 S Street, Room 537-N-2
Sacramento, CA 95811

Dear Ms. Parino:

Enclosed is our final report on the results of the state agency review completed for the Department of Corrections and Rehabilitation – Division of Adult Parole Operations. Your department'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 department and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

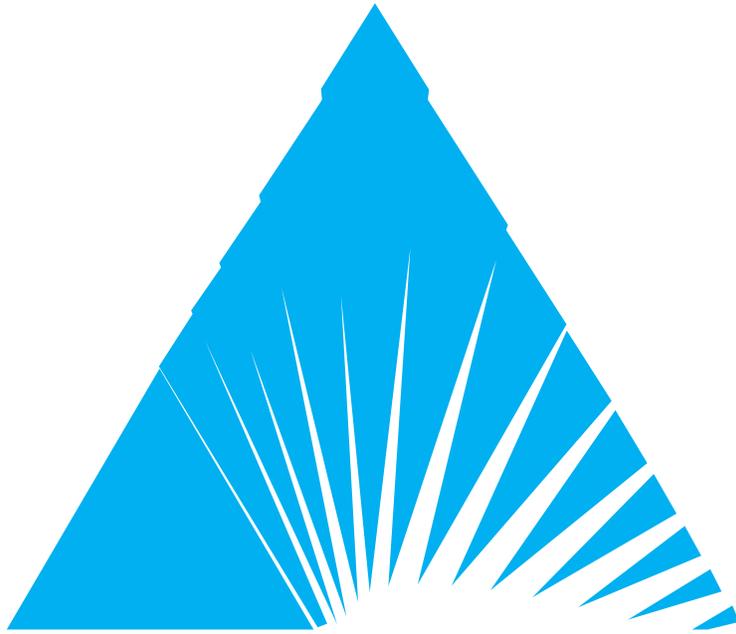
Original Signed by Margaret Junker

MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Finance Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Lori McGartland, Chief, ERSD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Don Martinez, Interim Chief, EMHS, CalPERS
Jennifer Nolan, SSM I, Office of Personnel Services, Department of Corrections & Rehabilitation

Office of Audit Services



CalPERS

Public Agency Review

Department of Corrections and Rehabilitation

Division of Adult Parole Operations

**Employer Code: 5118-5235
Job Number: P09-062**

March 2011

**DEPARTMENT OF CORRECTIONS AND REHABILITATION:
DIVISION OF ADULT PAROLE OPERATIONS**

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DEPARTMENT OF CORRECTIONS AND REHABILITATION: DIVISION OF ADULT PAROLE OPERATIONS

RESULTS IN BRIEF

We reviewed the California Department of Corrections and Rehabilitation Division of Adult Parole Operations' (Division) enrolled individuals, health and retirement contributions, compensation 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:

- Eleven retired annuitants exceeded the 960 hour threshold in a fiscal year.
- Unused sick leave credit for one sampled employee was over-reported.
- Required health benefit documentation was not on file for six sampled members.
- Verification of eligibility was not available for six dependents enrolled in health benefits.
- Required ACES forms were not on file for four inactive ACES users.

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. State members include state miscellaneous, highway patrol, state safety, state industrial and state peace officer/firefighter (POFF) members. California Government Code (GC), § 20370 through § 20445, provides detailed definitions for these classifications. These classifications denote different retirement benefit formulas, which include: 2% at age 55 for state miscellaneous or industrial members (GC § 21354.1); 3% at age 50 for state patrol members

DEPARTMENT OF CORRECTIONS AND REHABILITATION: DIVISION OF ADULT PAROLE OPERATIONS

(GC § 21362.2); 2.5% at age 55 for state safety members (GC § 21369.1); 3% at age 55 for POFF and local safety members (GC § 21363.1); and, 3% at age 50 for POFF members (GC § 21363.4 and § 21363.8).

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.

Unlike contracting agency retirement benefit program operations, state agencies do not report member enrollment and monthly payroll data to CalPERS. Instead, each state agency inputs membership and payroll information with special designated codes into the Personnel Information Management System (PIMS) through Personnel Action Request forms. PIMS contains official personnel, payroll, and retirement information for state employees. The State Controller's Office (SCO) has the responsibility for maintenance and security of PIMS.

In accordance with the SCO's published Personnel Action Manual and Payroll Procedures Manual, state agencies input necessary personnel and payroll changes into PIMS. The system automatically passes data fields that are necessary for retirement benefit calculations to CalPERS via CalPERS' Transaction Log. The data from PIMS updates the appropriate CalPERS application systems, such as, the Contribution Reporting System, Retirement Information Benefit System and CalPERS Online Member and Employer Transaction System. One critical data element passed on from state agencies to CalPERS, via the SCO, is the employee's Retirement Account Code (RAC). The RAC is a one or two digit alpha or numeric code used by PIMS to designate an employee's retirement status. During system updates from SCO to CalPERS, the RAC for each employee is converted to a coverage group code, which is significant for determining retirement contribution levels while the employee is active and the retirement formula when the employee is applying for retirement.

In general, when changes are mandated by law or contract, without the need for state agencies to prepare payroll change documents, payroll changes may be made automatically by the SCO. However, each agency has full responsibility for preparing accurate Personnel Action Request forms, employee attendance reports, and selecting appropriate compensation codes. California State Civil Service Pay Scales are published by the Department of Personnel Administration. SCO's Payroll Procedures Manual outlines miscellaneous

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special compensation payment processing methods and whether they are subject to CalPERS for the purpose of retirement calculation.

The SCO also has the responsibility for processing the health care contribution amounts for state employees and state agencies. Based on the information contained in PIMS, the SCO identifies and remits the state's contribution and the amounts authorized by employees and annuitants to be deducted from their salaries or retirement allowances for payment of contributions.

The California Department of Corrections and Rehabilitation operates California's prison system with a mission to enhance public safety through safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into our communities.

The Division is responsible for protecting the community by enabling the parole agents to be an active part of the community's public safety plans, providing a range of resources and services to offer the opportunity for change, and encouraging and assisting parolees in their effort to reintegrate into the community.

SCOPE

As part of the Board approved plan for fiscal year 2009/2010, we reviewed the Division's payroll reporting and enrollment processes as these processes relate to the Department of Corrections and Rehabilitation's health and retirement mandates with CalPERS. The objective of this review was limited to the determination that the Division 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 June 7 through June 9, 2010.

The review period was limited to the examination of the records and processes from January 1, 2007 through December 31, 2009. To accomplish the review objectives, we performed the following:

- ✓ Reviewed the mandated requirements the Division had with CalPERS, correspondence files maintained at CalPERS, and employment agreements the Division had with its employees.
- ✓ Interviewed key staff members to obtain an understanding of the Division's personnel and payroll procedures.

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- ✓ Reviewed the payroll transactions for sampled employees and compared the Division's payroll information with the data reported to CalPERS to determine whether the Division correctly reported compensation earnable.
- ✓ Reviewed the Division's payroll information reported to CalPERS for the sampled employees to determine whether employees' payrates were reported pursuant to public salary information.
- ✓ Reviewed the Division'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 Division's classification of employees to determine whether the Division reported sampled employees in the appropriate coverage groups. The RAC, which is entered by the Division into the SCO system, is converted to the coverage group code when the information is reported to CalPERS.
- ✓ Reviewed the Division's calculation and reporting of unused sick leave balances for retiring members.
- ✓ Reviewed employees and their dependents to determine whether the Division properly enrolled eligible individuals into CalPERS Health Benefits Program.
- ✓ Determined whether the Division 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 Division may not accurately report compensation earnable to CalPERS.</p> | <p>We reviewed payroll records and compensation reported to CalPERS for a sample of 19 employees over two service periods. The service periods reviewed were December 2008 (12/08-0) and December 2009 (12/09-0). We determined that compensation was accurately reported to CalPERS.</p> | <p>None.</p> |
| <p>2. The Division may not report payrates in accordance with publicly available salary schedules.</p> | <p>We reviewed payrates reported to CalPERS for a sample of 19 employees over two service periods and reconciled the payrates to the Department of Personnel Administration's public salary information to determine whether payrates for the sampled employees were properly authorized and reported to CalPERS. The service periods reviewed were December 2008 (12/08-0) and December 2009 (12/09-0).</p> <p>We determined the Division paid and reported payrates pursuant to the authorized published salary information.</p> | <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|--|
| <p>3. The Division may not enroll all eligible employees into CalPERS membership.</p> | <p><u>Temporary/Part-time Employees</u></p> <p>The Division did not employ temporary/part-time employees during the review period. No instances of incorrect enrollment practices were identified.</p> <p><u>Independent Contractors</u></p> <p>We reviewed the Division’s contractor lists for fiscal years 2007/2008 and 2008/2009 in order to identify employees that may be misclassified as independent contractors.</p> <p>We did not identify any individuals who met the minimum criteria for testing.</p> | <p>None.</p> <p>None.</p> |
| <p>4. The Division may unlawfully employ retired annuitants.</p> | <p><u>Maximum Hours Threshold</u></p> <p>We reviewed the hours worked by 13 retired annuitants in fiscal years 2007/2008 and 2008/2009. Our sample testing revealed that 11 retired annuitants exceeded the 960 hour threshold.</p> <p>We also determined that the Division could do more to ensure that individuals who received unemployment insurance compensation during the prior 12-month period</p> | <p>The Division should monitor the hours worked by retired annuitants more effectively to ensure that retirees do not exceed 960 hours worked in a fiscal year.</p> <p>The Division should work with</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|--|---|
| <p>4. The Division may unlawfully employ retired annuitants. (continued)</p> | <p>were not reappointed. Although the Division provides DPA 715 and DE 1181 forms to retired annuitants, there is no follow-up to ensure the forms are returned. As an informational item, we suggest the Division implement a follow-up procedure.</p> <p>Government Code, § 21224, states, in part, "(a) A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by the appointing power of a state agency or public agency employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing work of limited duration. These appointments shall not exceed a total for all employers of 960 hours in any fiscal year....(b)(1) This section shall not apply to any retired person otherwise eligible if during the 12-month period prior to an appointment described in this section the retired person received any unemployment insurance compensation arising out of prior employment subject to this section with the same employer. (2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the</p> | <p>CalPERS BNSD to identify the impact of the unlawful employment and determine what adjustments, if any, are needed.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the Division and CalPERS BNSD as an appendix to our draft report.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|----------------|
| <p>4. The Division may unlawfully employ retired annuitants. (continued)</p> | <p>last day of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.”</p> <p><u>Bona Fide Separation</u></p> <p>We determined that a bona fide separation from employment, per Government Code, § 21220.5, was not needed as, during our review period, the sampled retired annuitants providing services to the Division were at or above the normal retirement age.</p> | <p>None.</p> |
| <p>5. The Division may not appropriately report members under the proper coverage group code.</p> | <p>We examined the appropriateness and accuracy of the assigned retirement account codes (RACs) by testing a sample of 17 employees representing 16 types of RACs used by the Division. We reviewed each sampled employee’s RAC and verified whether the coverage group was consistent with the information in the CalPERS database.</p> <p>We determined the Division accurately assigned RACs in accordance with the SCO Personnel Action Manual and CalPERS State Handbook for the sampled members.</p> | <p>None.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|--|---|
| <p>6. The Division may not accurately report unused sick leave balances for retiring CalPERS members.</p> | <p>We reviewed the unused sick leave balances for a sample of 12 retirees to determine whether the Division properly computed and reported the balances.</p> <p>We determined the Division did not accurately certify the unused sick leave balance to CalPERS for one retiree. The employee retired with 794.5 hours which when divided by 8 converts to 99.3125 days of unused sick leave. However, the Division reported 770.5 days of unused sick leave for additional service credit resulting in an over-reporting of 671.1875 days.</p> <p>Government Code, § 20963(a), states, “A state, school, or school safety member, whose effective date of retirement is within four months of separation from employment with the employer subject to this section that granted the sick leave credit, shall be credited at his or her retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by the employer. The certification shall report only those days of unused sick leave that were accrued by the member during the normal 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</p> | <p>The Division submitted an Amended Employer Certification form to CalPERS and is in the process of working with BNSD to correct the erroneous reporting.</p> <p>The Division should review the number of days of unused sick time certified for employees to ensure that employees receive appropriate service credit upon retirement.</p> <p>A confidential list identifying the individual mentioned in this section of the report has been sent to the Division and CalPERS BNSD as an appendix to our draft report.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|---|--|
| <p>6. The Division may not accurately report unused sick leave balances for retiring CalPERS members. (continued)</p> | <p>unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found.”</p> | |
| <p>7. The Division may not properly enroll eligible employees and their dependents in health benefits.</p> | <p>We reviewed a sample of eight employees to assess the health benefits eligibility and enrollment of employees and their dependents. Our sample testing revealed the Division properly enrolled eligible employees and their dependents in CalPERS Health Benefits Program, except for the following:</p> <p>The Division did not have the required Declaration of Health Coverage (HB-12A) form for six sampled employees, did not have the required Health Benefit Plan Enrollment (HBD-12) form for one sampled employee and did not provide verification of dependent eligibility for six dependents enrolled under two members’ health benefits.</p> <p>The HB-12A provides information on enrollment options and consequences for non-enrollment and helps ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA). Effective January 1, 1998,</p> | <p>The Division must ensure that the proper member and dependent enrollment documentation is on file at the Division 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> <p>A confidential list identifying the individuals mentioned in this section of the report was sent to</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|---|---|
| <p>7. The Division may not properly enroll eligible employees and their dependents in health benefits. (continued)</p> | <p>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 when 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 Regulations, § 599.500, states, in part, “(f) ‘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...(h) ‘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...(k) ‘Eligible’ means eligible under the law and this subchapter to be enrolled.”</p> <p>Government Code, § 20085, states, in part, “(a) It is unlawful for a person to do any of the following: (1) Make, or cause to be made, any knowingly false material</p> | <p>the Division and CalPERS HBB as an appendix to our draft report.</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|--|---|--|
| <p>7. The Division may not properly enroll eligible employees and their dependents in health benefits. (continued)</p> | <p>statement or material representation, to knowingly fail to disclose a material fact, or to otherwise provide false information with the intent to use it, or allow it to be used, to obtain, receive, continue, increase, deny, or reduce any benefit administered by this system. (b) For purposes of this section, 'statement' includes, but is not limited to, any oral or written application for benefits, report of family relationship..., or continued eligibility for a benefit or the amount of a benefit administered by this system. (c) A person who violates any provision of this section is punishable by imprisonment in a county jail not to exceed one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine. (d) A person violating any provision of this section may be required by the court in a criminal action to make restitution to this system... for the amount of the benefit unlawfully obtained."</p> | |
| <p>8. The Division may not maintain appropriate ACES security procedures.</p> | <p>We reviewed the security procedures for the Division'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>We determined the Division currently has no employees</p> | <p>The Division subsequently completed and submitted the AESD-42 forms for all four users who no longer required ACES access.</p> <p>The Division should work with</p> |

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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|---|---|
| <p>8. The Division may not maintain appropriate ACES security procedures. (continued)</p> | <p>that utilize ACES; however, documentation was requested for four prior ACES users identified by CalPERS ERSD. Our testing revealed the Division did not immediately disable ACES access nor complete and submit the Delete ACES Users Access (AESD-42) forms to CalPERS for the four users who no longer required access to ACES. In addition, no ACES Employer User Security Agreement (AESD-43) forms were on file.</p> <p>CalPERS ACES User Guide, pages 107 and 123, require Account Administrators to, "Immediately disable the ACES access of any employee no longer needing access, leaving employment, or taking an extended leave of absence." Additionally, the Account Administrator is required to immediately fill out, electronically submit, and maintain a copy of the AESD-42 for all ACES users who no longer have ACES access.</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. Forms must be retained in a</p> | <p>CalPERS ERSD to ensure that ACES user security documentation is completed, submitted and maintained for future ACES users.</p> <p>A confidential list identifying the individuals mentioned in this section of the report has been sent to the Division and CalPERS ERSD as an appendix to our draft report.</p> |

**DEPARTMENT OF CORRECTIONS AND REHABILITATION:
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| RISK | MITIGATION & OBSERVATION | RECOMMENDATION |
|---|---|-----------------------|
| 8. The Division may not maintain appropriate ACES security procedures. (continued) | 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. | |

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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 Division'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: March 2011

Staff: Michael Dutil, CIA, Senior Manager
Jacque Conway, CPA, CIA, CGFM, Manager
Adeeb Alzanoon
Emma Shaw

APPENDIX A

DIVISION'S WRITTEN RESPONSE

**DIVISION OF HUMAN RESOURCES
OFFICE OF PERSONNEL SERVICES**

1515 S Street, Sacramento, CA 95811
P.O. Box 942883
Sacramento, CA 94283-0001



February 11, 2011

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

Dear Ms. Junker:

**CDCR RESPONSE TO DRAFT DIVISION OF ADULT PAROLE OPERATION
AUDIT REPORT**

This letter is in response to the California Public Employees' Retirement System's (CalPERS) draft report on your compliance review of the California Department of Corrections and Rehabilitation's (CDCR) Division of Adult Parole Operations' (DAPO) personnel documents in relation to the Division's mandated retirement benefits with CalPERS.

Please see the attached spreadsheet detailing CDCR's Office of Personnel Services (OPS) response to the draft compliance review report. In general, OPS agrees with the findings of the draft report. We will work with CalPERS staff to address the deficient areas and to ensure that these errors are prevented in the future.

We look forward to receiving the finalized report from your office. Should you have any questions regarding this response, please contact Jennifer Nolan, Section Chief, Personnel Transactions and Special Projects, at (916) 323-0701.

Handwritten signature of Jennifer R. Nolan in black ink.

for
ELIZABETH PARINO, Associate Chief
Transactions Section
Office of Personnel Services

Attachments

Cc: Mary Lynn Fisher, Chief, Benefit Services Division, CalPERS

Holly Fong, Chief, Employer and Member Health Services Division, CalPERS
Emma Shaw, Auditor, Office of Audit Services, CalPERS
Jennifer Nolan, Section Chief, Personnel Transactions and Special Projects,
CDCR, Office of Personnel Services

California Department of Corrections and Rehabilitation
 Division of Adult Parole Operations
 Office of Personnel Services Response to Draft CalPERS Compliance Review

| RISK | MITIGATION AND OBSERVATION | CALPERS RECOMMENDATION | CDCR RESPONSE |
|--|---|------------------------|---------------|
| 1. The Division may not accurately report compensation earnable to CalPERS | CalPERS determined that the compensation was accurately reported to CalPERS. | None. | None. |
| 2. The Division may not report payrates in accordance with publicly available salary schedules | CalPERS determined that the Division paid and reported payrates pursuant to the authorized published salary information. | None. | None. |
| 3. The Division may not enroll all eligible employees into CalPERS membership. | <p><u>Temporary/Part-time Employees</u></p> <p>DAPO did not employ temporary/part-time employees during the review period. No instances of incorrect enrollment practices were identified.</p> <p><u>Independent Contractors</u></p> <p>CalPERS did not identify any individuals who met the minimum criteria for testing</p> | None. | None. |

California Department of Corrections and Rehabilitation
 Division of Adult Parole Operations
 Office of Personnel Services Response to Draft CalPERS Compliance Review

| RISK | MITIGATION AND OBSERVATION | CALPERS RECOMMENDATION | CDCR RESPONSE |
|---|--|--|--|
| <p>4. The Division may unlawfully employ retired annuitants.</p> | <p>CalPERS sample testing revealed that 11 retired annuitants exceeded the 960-hour threshold.</p> <p>CalPERS determined DAPO could do more to ensure that individuals who received unemployment insurance compensation during the prior 12-month period were not reappointed. Although the Division provides DPA 715 and DE 1181 forms to retired annuitants, there is no follow-up to ensure the forms are returned. As an informational item, we suggest the Division implement a follow-up procedure.</p> <p><u>Bona Fide Separation</u></p> <p>CalPERS determined that the sampled retired annuitants were at or above the normal retirement age.</p> | <p>The Division should monitor the hours worked by retired annuitants more effectively to ensure that retirees do not exceed 960 hours worked in a fiscal year.</p> <p>The Division should work with CalPERS BNSD to identify impact of the unlawful employment and determine what adjustments, if any, are needed.</p> <p>None.</p> | <p>CDCR concurs that the 11 retired annuitants sampled exceeded the 960-hour threshold. Office of Personnel Services' (OPS) staff will notify Programs, Divisions, and Institutions of the importance of tracking retired annuitant hours to ensure that they do not exceed 960 hours worked in a fiscal year.</p> <p>Additionally, OPS will work with Division of Adult Parole Operation (DAPO) management and CalPERS BNSD to identify impact of the unlawful employment and determine what adjustments, if any, are needed.</p> |
| <p>5. The Division may not appropriately report members under the proper coverage group code.</p> | <p>CalPERS determined the Division accurately assigned retirement account codes in accordance with the SCO Personnel Action Manual and CalPERS State Handbook for the sampled members.</p> | <p>None.</p> | <p>None.</p> |

California Department of Corrections and Rehabilitation
 Division of Adult Parole Operations
 Office of Personnel Services Response to Draft CalPERS Compliance Review

| RISK | MITIGATION AND OBSERVATION | CALPERS RECOMMENDATION | CDCR RESPONSE |
|--|---|---|---|
| <p>6. The Division may not accurately report unused sick leave balances for retiring CalPERS members.</p> | <p>CalPERS determined the Division did not accurately certify the unused sick leave balance to CalPERS for one retiree. The employee retired with 794.5 hours which when divided by 8 converts to 99.3125 days of unused sick leave. However, the Division reported 770.5 days of unused sick leave for additional service credit resulting in an overreporting of 671.1875 days.</p> | <p>The Division submitted an Amended Employer Certification form to CalPERS and is in the process of working with BNSD to correct the erroneous reporting.</p> <p>The Division should review the number of unused sick time certified for employees to ensure that employees receive appropriate service credit upon retirement.</p> | <p>OPS staff amended the Employer Certification form and submitted to CalPERS to ensure that the member's service credit was updated appropriately.</p> <p>Additionally, staff has been reminded to carefully review the form to ensure that the sick leave hours are converted to days when completing the form.</p> |
| <p>7. The Division may not properly enroll eligible employees and their dependents in health benefits.</p> | <p>CalPERS determined that the Division did not have the required Declaration of Health Coverage (HB-12A) form for six sampled employees, did not have the required Health Benefit Plan Enrollment (HBD-12) form for one sampled employee and did not provide verification of dependent eligibility for six dependents enrolled under two members' health benefits.</p> | <p>The Division must ensure that the proper member and dependent enrollment documentation is on file at the Division within 60 days from the date of our final report.</p> <p>Please send an email to HBB_Audit_Services@calpers.ca.gov once the requested documentation is on file.</p> | <p>OPS staff requested the documents from the members. We will follow up to ensure that we receive the appropriate documents within 60 days from the final report.</p> |

California Department of Corrections and Rehabilitation
 Division of Adult Parole Operations
 Office of Personnel Services Response to Draft CalPERS Compliance Review

| RISK | MITIGATION AND OBSERVATION | CALPERS RECOMMENDATION | CDCR RESPONSE |
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| <p>8. The Division may not maintain appropriate ACES security procedures.</p> | <p>CalPERS determined the Division currently has no employees that utilize ACES; however, documentation was requested for four prior ACES users identified by CalPERS ERSD. Testing revealed the Division did not immediately disable ACES access nor complete and submit the Delete ACES Users Access (AESD-42) forms to CalPERS for the four users who no longer required access to ACES. In addition, no ACES Employer User Security Agreement (AESD-43) forms were on file.</p> | <p>The Division subsequently completed and submitted the AESD-42 forms for all four users who no longer required ACES access.</p> <p>The Division should work with CalPERS ERSD to ensure that ACES user security documentation is completed, submitted and maintained for future ACES users.</p> | <p>OPS staff has reviewed the existing ACES user forms and has submitted updated forms for the appropriate staff. OPS Health and Disability Benefits Unit within the Transactions Section will develop a procedure to ensure that ACES forms are completed for all future ACES users as well as deleting access for former users.</p> |