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June 15, 2012

Employer Code: 5691-5882
Job Number: P10-031

Department of Motor Vehicles
David Keenan, Chief, Human Resources Branch
2570 24th Street, MS-208
Sacramento, CA 95818

Dear Mr. Keenan:

Enclosed is our final report on the results of the public agency review completed for the Department of Motor Vehicles. Your agency's written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 2. Based on the information contained in your agency's response pertaining to Finding 2, our recommendation remains as stated in the report. 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 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: Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Melody Pang, Associate Management Auditor, Department of Motor Vehicles
Nancy Veon, Staff Services Manager II, Department of Motor Vehicles

Office of Audit Services



Public Agency Review

California Department Of Motor Vehicles

Employer Code: 5691-5882
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June 2012

CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

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RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the California Department of Motor Vehicles' (Department) enrolled individuals, member compensation, required health and retirement documentation and other documentation for individuals included in test samples. A detail of the findings is noted in the results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- Retired annuitants exceeded the 960-hour threshold and were not reinstated.
- Eligible temporary/part-time employees were not enrolled in CalPERS membership and the State Alternate Retirement Program.
- An appointed official was not informed of optional membership rights.
- Appointed officials were not enrolled correctly.
- An incorrect amount of unused sick leave was certified to CalPERS.
- An incorrect amount of unused sick leave was used to calculate additional service credit.

The pertinent sections of the Government Code for each finding are described in greater detail in Appendix C.

DEPARTMENT BACKGROUND

The Department was established in 1915 and falls under the authority of the Business, Transportation and Housing Agency. The Department has oversight of the 33.5 million registered vehicles and 23.7 million licensed drivers in the State of California. Its mission includes maintaining driving records of licensed drivers, licensing and regulating the motor vehicle industry, traffic violator schools, investigating consumer complaints, and administering the Vehicle Insurance Program. The Department has approximately 9,000 employees with an annual budget of about \$960 million. Headquartered in Sacramento, the Department has 223 offices throughout the state, including 168 field offices.

Memoranda of Understanding (MOU) and employment agreements outline all of the Department employees' salaries and benefits and state the terms of employment agreed upon between the Department and its employees.

The Department contracted with CalPERS effective January 1, 1932, to provide retirement benefits for local miscellaneous, state safety and state industrial

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employees. The Department's current contract identifies the length of the final compensation period as twelve months or thirty-six months for the varied coverage groups. The Department contracted with CalPERS effective January 1, 1962, to provide health benefits to all eligible employees.

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, OAS reviewed the Department's payroll reporting and member enrollment processes as these processes relate to the Department's retirement and health contracts with CalPERS. The review period was limited to the examination of sampled records and processes from January 1, 2008, through December 31, 2010. The on-site fieldwork for this review was conducted from March 9, 2011, through March 11, 2011, and also on March 15, 2011. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

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OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The Department did not reinstate retired annuitants from retirement that were unlawfully employed.

Recommendations:

The Department should review all hours worked in a fiscal year by all retired annuitants and reinstate those that exceed the 960-hour threshold. In addition, the Department should monitor the hours worked by retired annuitants more effectively to ensure that retired annuitants are lawfully employed by not exceeding 960 hours worked in a fiscal year.

OAS recommends BNSD have the Department pay CalPERS the employer contributions, which should have been paid during the period of the retired annuitants' unlawful employment, plus interest and administrative expenses.

In addition, OAS recommends BNSD have the retired annuitants reimburse CalPERS for any retirement allowances received during the period of unlawful employment, pay CalPERS employee contributions that should have been paid during the review period of unlawful employment, and reimburse CalPERS for administrative expenses incurred in handling the situation.

Condition:

OAS reviewed the hours worked for fifteen retired annuitants who worked for the Department in fiscal years 2008/2009 and 2009/2010 to determine whether the retired annuitants worked within the 960-hour threshold and if they exceeded the threshold, whether they were reinstated in a timely manner, as required.

OAS determined that four of the sampled retired annuitants exceeded the 960-hour threshold in one or both fiscal years and were not reinstated, specifically:

- One retired annuitant worked 1,281 hours in fiscal year 2008/2009 and 1,186.5 hours in 2009/2010.
- Two retired annuitants worked 962 hours in fiscal year 2008/2009.
- One retired annuitant worked 991 hours in fiscal year 2009/2010.

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Criteria:

Government Code: § 20160, § 21220, § 21224(a)

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Finding 2: The Department did not enroll temporary/part-time employees into CalPERS membership when they met the eligibility requirements.

Recommendations:

The Department should effectively monitor the hours worked by temporary/part-time employees and promptly enroll employees into CalPERS membership and the State Alternate Retirement Program when they reach 1,000 hours worked in a fiscal year.

OAS recommends CASD work with the Department to assess the impact of this membership issue and determine what adjustments are needed.

Condition:

OAS reviewed the hours worked for a sample of 15 temporary/part-time employees during fiscal years 2008/2009 and 2009/2010 to determine whether they met eligibility requirements and, if so, were enrolled into CalPERS membership and the State Alternate Retirement Program in a timely manner.

OAS determined that 13 of the sampled temporary/part-time employees worked more than 1,000 hours in a fiscal year, meeting CalPERS membership eligibility requirements; however, the Department did not enroll the employees into CalPERS membership and the State Alternate Retirement Program. Ten of the employees worked more than 1,000 hours in both fiscal years and the employees' total hours worked in a fiscal year ranged from 1,075 up to 2,103.5.

Criteria:

Government Code: § 20305, § 20044, § 20281.5(a), 20281.5(b)

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Finding 3: The Department improperly followed procedures to enroll four Governor appointees as optional CalPERS members.

The Department should advise eligible appointees of their optional membership rights and if applicable, complete the Election of Optional Membership form and appropriate membership enrollment transaction.

OAS recommends CASD work with the Department to assess the impact of this membership issue and determine what adjustments are needed.

Condition:

The Government Code provides optional membership rights to certain public officers and employees such as those in Governor appointed positions. Those officers and employees with optional membership rights are excluded from CalPERS membership unless they elect to become members. An "optional" member must be advised of CalPERS rights when first eligible for membership and, if the employee has decided to establish membership for the optional position, a completed and signed election form is required to validate and establish membership prior to enrollment.

OAS identified that the Department had four Governor appointed employees eligible for optional membership. However, the Department did not have record of offering optional membership to one appointee. In addition, the Department enrolled three appointees into membership but did not have election forms for those appointees. Lastly, of the three appointees that the Department enrolled into membership, two were enrolled as regular members instead of optional members as they should have been. Properly enrolling Governor appointees helps to ensure that the appointees receive appropriate service credit.

Criteria:

Government Code: § 20320
CalPERS State Handbook: pages 146 -148

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Finding 4: The Department did not properly certify unused sick leave balances to CalPERS.

Recommendations:

The Department should verify employees' unused sick leave hours and convert the hours to days as appropriate prior to certifying additional service credit to CalPERS.

OAS recommends BNSD work with the Department to assess the impact of this incorrect certification issue and determine what adjustments are needed.

Condition:

Retiring members are eligible for additional service credit for unused sick leave. The total number of unused sick leave hours at retirement is converted to days to determine additional service credit. The Department is required to certify the balance of unused sick leave days to CalPERS.

OAS selected a sample of 13 employees who retired during the review period to determine whether the Department accurately certified the retiring members' unused sick leave balances. OAS found that unused sick leave used to calculate additional service credit was incorrect for two of the thirteen employees.

In one instance the Department certified to CalPERS that an employee retired with 735.5 days of unused sick leave. However, Department records showed that the employee retired with a balance of 738 unused sick leave hours. Using a divisor of eight, the balance of hours converted to 92.25 days of unused sick leave. As a result of the incorrect certification, the employee's additional service credit was overstated by 643.75 days.

In another instance, CalPERS relied on the balance of unused sick leave hours listed in a Notice of Personnel Action form to calculate additional service credit for a Department employee. The form showed the employee retired with a balance of 2,830 hours of unused sick leave. Using a divisor of eight, the balance of hours converted to 353.75 days of unused sick leave. However, the hours listed were incorrect. The employee's correct balance of unused sick hours at retirement was 282.25, which converted to 35.281 days of unused sick leave. As a result of using the incorrect information listed on the Notice of

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Personnel Action form, the employee's additional service credit was overstated by 318.469 days.

Criteria:

Government Code: § 20963

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the Department's payroll and health 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 thirty 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, California Code of Regulations.

Respectfully submitted,

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

Date: June 2012
Staff: Michael Dutil, CIA, Senior Manager
Alan Feblowitz, CFE, Manager
Emma Shaw

APPENDIX A

BACKGROUND

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BACKGROUND

California Public Employees' Retirement System

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. In addition, CASD provides services for eligible members who apply for service or disability retirement. In addition, CASD 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. CalPERS Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

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.

APPENDIX B

OBJECTIVES

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OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the Department complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether the Department followed prescribed reporting and enrollment procedures, as they relate to the Department's health and retirement mandates with CalPERS.

This review covers the period January 1, 2008, through December 31, 2010.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS interviewed key staff to obtain an understanding of the Department's personnel and payroll procedures. OAS also reviewed the following documentation:

- Mandated benefits and other requirements that the Department had with CalPERS
- Correspondence files maintained at CalPERS
- Department written labor policies and agreements
- Department wage and benefit agreements including applicable resolutions
- Department personnel records and employee hours worked records
- Department payroll information including Summary Reports and PERS listings
- Other documents used to specify payrate, special compensation and benefits for all employees
- Health Benefits Program enrollment records and supporting documentation
- Various other documents as necessary

OAS performed the following procedures. A description and the related sample sizes, sample periods and applicable findings for each procedure are included.

- ✓ Reviewed the payroll transactions and compared the records to data reported to CalPERS to determine whether the Department correctly reported employees' compensation.

Sample size and period: Reviewed payroll transactions for 37 employees covering two sampled service periods: October 2009 (10/09-0) and October 2010 (10/10-0).

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No Finding

- ✓ Reviewed payrates reported to CalPERS for the sampled employees and reconciled to the Department of Personnel Administration's public salary information.

Sample size and period: Reviewed 37 employees in the service periods October 2009 (10/09-0) and October 2010 (10/10-0).

No Finding

- ✓ Reviewed the Department's classification of employees to determine whether the Department assigned the appropriate coverage group codes. The retirement account code, which is entered by the Department into the State Controller Office's system, is converted to the coverage group codes when the information is reported to CalPERS.

Sample size and period: Reviewed the assigned Retirement Account Codes of 18 employees.

No Finding

- ✓ Reviewed the Department's enrollment practices pertaining to retired annuitants, temporary/part-time employees, optional members, and independent contractors to determine whether individuals met CalPERS membership requirements.

Retired annuitants sample size and period: Reviewed the hours worked by 15 retired annuitants in fiscal years 2008/2009 and 2009/2010 to determine whether the Department monitored hours worked by retired annuitants and reinstated retired annuitants who exceeded 960 hours worked in a fiscal year.

See Finding 1: Four retired annuitants exceeded the 960-hours-worked threshold in one or both fiscal years.

Temporary/part-time employees sample size and period: Reviewed a sample of 15 temporary/part-time employees in fiscal years 2008/2009 and 2009/2010.

See Finding 2: The Department did not enroll 13 sampled temporary/part-time employees into the State Alternate Retirement Program when the eligibility threshold was reached.

Reviewed four employees who had optional membership rights to determine whether employees who elected membership were properly enrolled and their earnings were reported.

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See Finding 3: The Department improperly followed procedures to enroll four Governor appointees as optional CalPERS members.

- ✓ Reviewed the Department's calculation and reporting of unused sick leave balances for additional service credit.

Sample size and period: Reviewed 13 employees who retired during the review period.

See Finding 4: The Department incorrectly certified and reported the unused sick leave balance for one retiree. In addition, an incorrect amount of unused sick leave was used to calculate additional service credit for one retiree.

- ✓ Reviewed health records to determine whether the City properly enrolled eligible individuals into CalPERS Health Benefits Program.

Sample size and period: Reviewed seven employees and their dependents covering the review period.

No Finding

APPENDIX C

CRITERIA

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CRITERIA

Government Code § 20044, states:

“Fiscal year” is any year commencing on July 1st and ending with June 30th next following.

Government Code § 20160, states:

(a) Subject to subdivisions (c) and (d), the board may, in its discretion and upon any terms it deems just, correct the errors or omissions of any active or retired member, or any beneficiary of an active or retired member, provided that all of the following facts exist:

(1) The request, claim, or demand to correct the error or omission is made by the party seeking correction within a reasonable time after discovery of the right to make the correction, which in no case shall exceed six months after discovery of this right.

(2) The error or omission was the result of mistake, inadvertence, surprise, or excusable neglect, as each of those terms is used in Section 473 of the Code of Civil Procedure.

(3) The correction will not provide the party seeking correction with a status, right, or obligation not otherwise available under this part.

Failure by a member or beneficiary to make the inquiry that would be made by a reasonable person in like or similar circumstances does not constitute an “error or omission” correctable under this section.

(b) Subject to subdivisions (c) and (d), the board shall correct all actions taken as a result of errors or omissions of the university, any contracting agency, any state agency or department, or this system.

(c) The duty and power of the board to correct mistakes, as provided in this section, shall terminate upon the expiration of obligations of this system to the party seeking correction of the error or omission, as those obligations are defined by Section 20164.

(d) The party seeking correction of an error or omission pursuant to this section has the burden of presenting documentation or other evidence to the board establishing the right to correction pursuant to subdivisions (a) and (b).

(e) Corrections of errors or omissions pursuant to this section shall be such that the status, rights, and obligations of all parties described in subdivisions (a) and (b) are adjusted to be the same that they would have been if the act that would have been taken, but for the error or omission, was taken at the proper time. However, notwithstanding any of the other provisions of this section, corrections made pursuant to this section shall adjust the status, rights, and obligations of all parties described in subdivisions (a) and (b) as of the time that the correction actually takes place if the board finds any of the following:

(1) That the correction cannot be performed in a retroactive manner.

(2) That even if the correction can be performed in a retroactive

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manner, the status, rights, and obligations of all of the parties described in subdivisions (a) and (b) cannot be adjusted to be the same that they would have been if the error or omission had not occurred.

(3) That the purposes of this part will not be effectuated if the correction is performed in a retroactive manner.

Government Code § 20281.5, subdivision (a), states:

Notwithstanding Section 20281, a person who becomes a state miscellaneous member or state industrial member of the system on or after the effective date of this section because the person is first employed by the state and qualifies for membership shall be subject to the provisions of this section.

Government Code § 20281.5, subdivision (b), states:

Members subject to this section shall not accrue credit for service in the system and shall not make employee contributions to the system, including the contributions set forth in Section 20677.4, for employment with the state until the first day of the first pay period commencing 24 months after becoming a member of the system.

Government Code § 20305, states, in part:

(a) An employee serving on a less than full-time basis is excluded from this system unless... (3) His or her employment is, in the opinion of the board, on a seasonal, limited-term, on-call, emergency, intermittent, substitute, or other irregular basis, and is compensated and meets one of the following conditions... (B) The person ... completes 1,000 hours of service within the fiscal year, in which case, membership shall be effective not later than the first day of the first pay period of the month following the month in which... 1,000 hours of service were completed.

Government Code § 20320, states:

(a) A person directly appointed by the Governor, without the nomination of any officer or board, or directly appointed by the Attorney General, Lieutenant Governor, Controller, Secretary of State, Treasurer, or Superintendent of Public Instruction exempt from civil service under Article VII of the California Constitution, except those appointed pursuant to subdivision (i) of Section 4 thereof, is excluded from membership in this system unless he or she files with the board an election in writing to become a member. (b) Upon electing to become a member, the person may further elect at any time prior to retirement to receive service credit for his or prior, excluded state service by making the contributions as specified in Sections 21050 and 21051.

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Government Code § 20963, subdivision (a), states, in part:

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 unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found..."

Government Code § 21220, states:

(a) A person who has been retired under this system, for service or for disability, may not be employed in any capacity thereafter by the state, the university, a school employer, or a contracting agency, unless the employment qualifies for service credit in the University of California Retirement Plan or the State Teachers' Retirement Plan, unless he or she has first been reinstated from retirement pursuant to this chapter, or unless the employment, without reinstatement, is authorized by this article. A retired person whose employment without reinstatement is authorized by this article shall acquire no service credit or retirement rights under this part with respect to the employment.

(b) Any retired member employed in violation of this article shall:

(1) Reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law.

(2) Pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment, plus interest thereon.

(3) Contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

(c) Any public employer that employs a retired member in violation of this article shall:

(1) Pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period or periods of time that the member is employed in violation of this article, plus interest thereon.

(2) Contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

Government Code § 21224, subdivision (a), states, in part:

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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..."

CalPERS State Handbook, pages 146-148, states:

The "optional" member must be advised of CalPERS rights when first eligible for membership. Membership should not be established for an "optional" member unless the "election form" is signed and filed with the CalPERS Board of Administration.

APPENDIX D

DEPARTMENT'S WRITTEN RESPONSE

DEPARTMENT OF MOTOR VEHICLES
HUMAN RESOURCES BRANCH
P.O. BOX 932315 - MS G208
SACRAMENTO, CA 94232-3150



March 2, 2012

Margaret Junker
Chief, Office of Audit Services
California Public Employee's Retirement System
P.O. Box 941701
Sacramento, CA 94229

Dear Ms. Junker:

This is to acknowledge receipt of the California Public Employees' System (CalPERS) review findings of the Department of Motor Vehicles (DMV) in relation to the contract with CalPERS to provide retirement benefits and health benefits to eligible employees of our department.

As indicated in your draft report the Office of Audit Services (OAS) recently reviewed test samples of the DMV enrolled individuals, member compensation, required health and retirement documentation and other documentation for individuals. Shown below is our response to your findings and recommendations:

Finding 1: The Department did not reinstate retired annuitants from retirement that were unlawfully employed.

The DMV acknowledges that the retired annuitants (RA) identified exceeded the 960 hour threshold. This was due to tracking errors by the unit/department and not to circumvent Government Code 21224(a). As recommended, the Department will work with CalPERS' Benefit Services Division to assess the impact and the best resolution for the employees.

The DMV has since implemented (March 2011) monthly tracking reports that are sent to the RA's management so they can monitor their scheduling and ensure the RA does not work beyond the 960 threshold. These reports are accompanied by a cover memo reiterating the 960 threshold requirement.

Finding 2: The Department did not enroll temporary/part-time employees into CalPERS membership when they met the eligibility requirements.

The DMV acknowledges that enrollment into CalPERS membership was not processed timely for 12 of the 13 employees identified. Based on our research 1 employee () should be removed from the listing; this employee reached the 1,000 hour threshold in June of 2009, however, the employee separated effective, 06/18/09 prior to the 07/01/09 date of enrollment. The DMV has corrected the system history for the other identified employees and they have been enrolled into membership based on the date they met eligibility requirements.

In addition, we have conducted a PI/Part-time training including retirement eligibility tracking for all Personnel Specialists/Supervisors. Also, with our conversion to the California Leave Accounting System (CLAS), the DMV is incorporating available tracking reports to assist us in ensuring timely processing of membership enrollment for employees meeting the eligibility requirements.

Finding 3: The Department improperly followed procedures to enroll four Governor appointees as optional CalPERS members.

The DMV acknowledges that an Election of Optional Membership form (AESD-83) was not completed for the identified employees.

The DMV records indicate that 2 of the 4 individuals were prior CalPERS members and at the time of their appointment to their exempt positions they were verbally offered and elected to continue membership in CalPERS. Another individual was verbally offered membership through the Governor's Office.

The remaining individual who was not offered the optional membership was sent the AESD-83 upon discovery of her eligibility to elect optional membership; the employee chose to wait until her new appointment at another agency to decide membership.

Based on our research and recent verification with CalPERS, the two individuals in your findings that were identified as not enrolled as optional members, were properly enrolled and their records reflect the correct coding.

The DMV has since developed an exempt employee checklist that clearly indicates appointees be sent the AESD 83 at the time of their appointment to our agency, to ensure all future appointees are provided the option of membership.

Finding 4: The Department did not properly certify unused sick leave balances to CalPERS.

The DMV acknowledges that an error was made on the reporting of unused sick leave balance for one of the individuals identified. When researching this it was discovered that the certification of time had been inappropriately completed by field management instead of being sent to our Human Resources Branch for processing and submission.

However, the error on the adjustment to unused sick leave for the other employee () was primarily due to the use of the Notice of Personnel Action (NOPA) by CalPERS. Our records indicate we initially certified 290 hours or 36 days of unused sick leave on the employer certification portion of the retirement application; no amended form was submitted to CalPERS. It is unclear how CalPERS received the NOPA since a corrected NOPA was issued on the same day to reflect 283 hours. If the NOPA was supplied by the individual, then CalPERS should have requested recertification from our Department prior to processing an adjustment.

Margaret Junker
Page 3
March 2, 2012

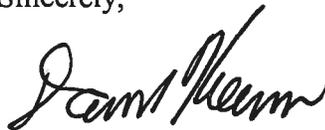
Amended Employer Certification forms (BSD 200A) were faxed to CalPERS in March of 2011 to correct the unused sick leave balances for both individuals.

The DMV has implemented a revised process requiring staff to check previously completed unused sick leave balance certifications and submit amended forms as needed. If no copy of the initial certification is on file, staff will send an amended form in case the form was inappropriately completed at the office level. In addition, we are working on informational memos and manual updates to clarify roles and responsibilities for completion of these documents.

We appreciate the opportunity to improve our processes and will work with both your Benefit Services Division and Customer Account Services Division to resolve these findings.

Any questions regarding our findings and our contact for any resolution steps can be directed to Nancy Veon of my staff at (916) 657-6694.

Sincerely,

A handwritten signature in black ink, appearing to read "David Keenan". The signature is fluid and cursive, with the first name "David" and last name "Keenan" clearly distinguishable.

DAVID KEENAN, Chief
Human Resources Branch

cc: Mary Lynn Fisher, Chief, Benefit Services Division, CalPERS
Karen DeFrank, Chief, Customer Account Services Division, CalPERS
Melody Pang, Associate Management Auditor
Nancy Veon, DMV