

ROSS VALLEY FIRE DEPARTMENT

| Objective and Scope | | |
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| CalPERS ID | Job Number | Contract Date |
|------------|------------|---------------|
| 4521367135 | 1P23-019 | July 1, 1982 |

The objective of the Office of Audit Services (OFAS) review was to determine whether public agencies (employers) reported Educational Incentive Pay for classic members in compliance with Government Code (GC) section 20636 and Title 2 of the California Code of Regulations (CCR) section 571.

Educational Incentive Pay is an item of special compensation and must meet the requirements of GC section 20636, and the definition and criteria listed in CCR section 571. Specifically, CCR section 571, subdivision (a)(2), defines Educational Incentive Pay as compensation to employees for completing educational courses, certificates and degrees which enhance their ability to do their job. The employer must have a program or system in place to evaluate and approve acceptable courses. Educational Incentive Pay does not include costs of education that is required for the employee’s current job classification and reimbursement for an application or test, books, tuition, or travel costs. Additionally, CCR section 571, subdivision (b), outlines that all items of special compensation must be contained in a written labor policy or agreement that has been duly approved and adopted by the employer’s governing body. The written labor policy or agreement must indicate the eligibility and conditions for payment of the pay item that must be available to all members in the group or class of employment for work performed during normal hours of employment.

Incorrect reporting of Educational Incentive Pay may result in miscalculation of employer contributions, delays in processing member retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, reduction in benefits, and increased employer administrative costs for processing corrections to all impacted employee accounts for the periods the misreporting occurred.

OFAS’ review was limited to examining employer records and a sample of employee records for the period of July 1, 2021 through June 30, 2023. Unless otherwise specified, OFAS did not review the employer’s compliance with the Public Employees’ Retirement Law (PERL) with regard to any areas outside of the scope described herein, including, but not limited to, other types of compensation, membership enrollment, or employment after retirement. In addition, OFAS did not review sampled employees’ job classifications minimum qualifications for required education or certification, unless stated in the employer’s written labor policy or agreement.

| Results in Brief | | |
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| No. | Area | Observation |
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| 1 | Not Reportable – Eligibility Not Supported | The Employer reported Educational Incentive Pay for one sampled active employee and one sampled retired employee that was not reportable. Specifically, the Employer could not demonstrate the employees’ eligibility for the reported Educational Incentive Pay. For example, for one retired employee, the Employer reported |

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| No. | Area | Observation |
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| | | <p>Educational Incentive Pay of \$145.86 for pay period ending August 31, 2022. The Employer’s written labor policy for the International Association of Firefighters (IAFF) Local 1775, effective July 1, 2022, stated employees who obtain a Fire Science degree or 60 units towards a Fire Science degree shall receive 2.5% of base monthly salary. The Employer provided documents to indicate the employee completed 31 fire course units and 39 units from another college. However, the Employer was unable to provide documentation to identify the courses completed for the 39 units from another college. As a result, the Employer was unable to demonstrate how the 39 units qualify as eligible course units for a Fire Science degree. The Employer should maintain sufficient documentation to demonstrate the employees’ eligibility complied with the IAFF Local 1775 labor policy Educational Incentive Pay provisions.</p> <p>CCR section 571, subdivision (a)(2), defines Educational Incentive Pay as compensation to employees for completing educational courses, certificates and degrees which enhance their ability to do their job. A program or system must be in place to evaluate and approve acceptable course. Additionally, CCR section 571, subdivision (b), states that items of special compensation must be contained in an approved written labor policy or agreement, which must indicate conditions of payment for the item of special compensation, including but not limited to, eligibility for and amount. The Employer explained the employees were eligible because they considered general education course units as qualifying units for a Fire Science degree.</p> |

Recommendation and Criteria

The Employer should ensure Educational Incentive Pay is reported in compliance with GC section 20636, and CCR section 571. The Employer should work with CalPERS Employer Account Management Division to identify all active and retired members impacted and for all impacted members identified, determine the accurate amount of Educational Incentive Pay, and what adjustments, if any, are needed to correct written labor policies or agreements, and/or inaccurately reported Educational Incentive Pay amounts. To the extent that any amounts of pay were improperly included in the retirement allowance of retired members, a correction to the retirement allowance should be made pursuant to GC section 20160.

GC: § 20120, § 20121, § 20122, § 20160, and § 20636
 CCR: § 571

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Other Matter

OFAS identified one other matter that was outside the scope of this review. This matter was discussed with the Employer. OFAS encourages the Employer to work with CalPERS to ensure compliance with the PERL.

| No. | Area | Description |
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| 1 | Earnings Incorrectly Reported | The Employer incorrectly reported the earnings for two sampled active employees. Specifically, the Employer did not report full-time earnings and incorrectly included additional compensation in earnings. For one employee, the Employer reported earnings of \$2,362.74 for the pay period ending December 31, 2022. However, the employee's payroll register showed the employee's full-time earnings was \$5,834.52 for the pay period ending December 31, 2022. For another employee, the Employer reported earnings of \$5,570.35 for the pay period ending July 15, 2022. However, the reported earnings incorrectly included \$552.01 of Paramedic Incentive Pay. |

Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. The review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Sample testing procedures provide reasonable, but not absolute, assurance that the Employer complied with the specified provisions of the PERL, and the CalPERS contract subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Employer of the final determinations and provide appeal rights, if applicable, at that time.

Summarized Response

The Employer disagreed with the Observation and stated they will work on clarifying the intent of the educational incentive program in their IAFF Local 1775 labor policy. In addition, for the active employee, the Employer provided an academic plan, dated February 2, 2024, to demonstrate course units transferred from other colleges qualify as units for a Fire Science degree. OFAS reviewed the documentation and noted that the academic plan identifies six units from one college; however, the plan does not identify all courses completed for the 33 units transferred from another college. Therefore, the Observation will remain as stated.