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Title: Health and Human Services Agency recommending the Board receive and file the El Dorado County Emergency Services Authority annual Financial Audit for Fiscal Year 2015/16.

FUNDING: N/A

Sponsors:

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Attachments: 1. A - FY 2015-16 Audit 3/20/18, 2. B - Management Response Plan FY 15-16 Audit 3/20/18

Date	Ver.	Action By	Action	Result
3/20/2018	1	Board of Supervisors	Approved	Pass

Health and Human Services Agency recommending the Board receive and file the El Dorado County Emergency Services Authority annual Financial Audit for Fiscal Year 2015/16.

FUNDING: N/A

DEPARTMENT RECOMMENDATION:

Health and Human Services Agency (HHSA) recommending the Board receive and file the El Dorado County Emergency Services Authority annual Financial Audit for Fiscal Year (FY) 2015-16 to comply with the requirements of Agreement for Services 200-S0811 between the County and the El Dorado County Emergency Services Authority.

DISCUSSION / BACKGROUND:

The County of El Dorado (County) contracts for ambulance transportation services with the El Dorado County Emergency Services Authority (JPA) via Agreement for Services 200-S0811. As a requirement of the Agreement, the JPA must submit an annual financial audit to the County for review. Therefore, the JPA's annual financial audit for FY 2015-16 is being submitted to the Board for review.

As part of the audit requirements, the auditing firm considers the JPA's internal control over financial reporting as a basis for designing their audit procedures. A deficiency exists when the design or operation of an internal control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Summary Schedule of FY 2015-16 Audit Findings:

Finding 2016-1

Employee Retirement Benefits:

Although the JPA is not a CalPERS contracting agency, and JPA employees do not have retirement benefits; the JPA-funded employees are provided with CalPERS retirement benefits through the member agency Fire Districts that employ them. Excluding Cameron Park Community Services District employees, who are employees of the State of California, the JPA reimburses the Fire Districts with whom the JPA contracts for ambulance transportation services, for the contribution to CalPERS based on actuarial valuations. The amount paid to these member agencies for retirement benefits, including the required payment for the unfunded pension liability, for the fiscal year ending June 30, 2016 totaled \$1,341,922. For the Cameron Park Community Services District employees, the JPA pays an established benefits rate that includes pension and other benefits. The JPA has no obligation for retirement benefits beyond those annual payments, so no pension liability is reflected in the JPA's financial statements.

Other Post Employment Benefits Plan (OPEB):

OPEB includes such things as healthcare benefits provided to retirees that are in addition to pension benefits. Government Account Standards (GASB) Statement No. 45 requires that all OPEB benefits be recorded as an expense and liability by the employer. The JPA has not granted any OPEB benefits to its employees; however, JPA-funded employees are provided with OPEB benefits through the Fire Districts that employ them. The JPA reimburses these Fire Districts (excluding Cameron Park Community Services District) based on actuarial valuations. The amount paid to these member agencies for OPEB benefits for the fiscal year ended June 30, 2016 total \$400,379. The JPA has no obligation for OPEB benefits beyond the annual payments made to Fire Districts, so no liability for OPEB benefits has been included in the JPA's financial statements.

Material Weaknesses:

Finding 2016-1: The JPA is reflecting a liability in its financial statements for the accrued compensated absences of JPA-funded employees that are employed by the provider Fire Districts. The need to reflect this liability is unclear because the contract between the JPA and its member agencies do not define the financial responsibility for this liability.

Additionally, while the amount being billed by most of the member agencies for OPEB costs is the actuarially-determined required contribution, which includes both current and retired employees, there is inconsistency in the process.

According to the JPA, the intent of these reimbursements is to pay for healthcare premiums on current JPA-funded retirees and not pre-fund for current employees; however, the JPA policy does not specify this intent, nor do the member agencies agreements reflect this.

Pension cost reimbursement methodology is not defined in the member agency agreements and there is an inconsistency in the methods being used by the member agencies to calculate the charge to the JPA for the JPA's share of the payment required by CalPERS for FY 2015-16.

Auditor Recommendation: Amend the agreements between the JPA and the member agencies to accurately reflect which payroll related items will be reimbursed and to establish a methodology for said charges; specifically whether any unfunded liabilities for the member agencies compensated absences, pension plans, and OPEB plans will be funded by the JPA, or whether there will be unfunded liabilities that will be the responsibility of the provider Fire Districts.

JPA Response: The accrued compensated absences for JPA-funded employees were initiated with the approval of the County Board of Supervisors in 1996 when the JPA was created, and the accrued liability has been carried forward since then. The JPA can account for this expense via policy and/or contract agreement with the ALS transporting Fire Districts.

The JPA believes that a possible solution for the OPEB and pension inconsistencies is to enter into a fixed rate contract with the County of El Dorado.

County Response: The JPA has provided a corrective action plan to address the material weakness identified in the annual audit.

The corrective action plan included the JPA revision of their Financial Reporting and Accountability policy to reflect the funding for accrued compensated absences, should JPA cease to exist, shall be distributed accordingly to the transporting fire districts based on availability of funds.

Additionally, the JPA has revised its other Post Employment benefits to reflect the JPA will only reimburse transporting

OPEB costs for current JPA-funded employees and will not provide OPEB reimbursement for employees known as “pre-funding.” The JPA is working on a policy to address the unfunded pension liability issue.

The corrective action plan also reiterates the response in the audit that the JPA believes that there is potential for some of the inconsistencies with the OPEB and pension issues to be resolved during the negotiation process for a fixed rate contract.

The County feels the negotiation for a fixed rate contract will ensure an equitable outcome for all parties as it relates to current ambulance operations and costs. The County does not share the JPA opinion that a fixed rate contract can resolve historical OPEB or unfunded pension liabilities as incurred by the JPA member fire districts.

ALTERNATIVES:

The Board could choose to not receive and file the El Dorado County Emergency Services Authority financial audit for FY 2015-2016 which would be in conflict with Agreement for Services 200-S0811.

OTHER DEPARTMENT / AGENCY INVOLVEMENT:

N/A

CAO RECOMMENDATION:

Receive and file.

FINANCIAL IMPACT:

There is no Net County Cost associated with this Agenda item.

CLERK OF THE BOARD FOLLOW UP ACTIONS

Clerk of the Board to receive and file the El Dorado County Emergency Services Authority’s Annual Financial Report for FY 2015-2016.

STRATEGIC PLAN COMPONENT:

N/A

CONTACT

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