

Office of Audit Services



Public Agency Review

Fremont Unified School District

**CalPERS ID: 7069113764
Job Number: SP15-035**

July 2016



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (877) 249-7442
(916) 795-0802 phone, (916) 795-7836 fax
www.calpers.ca.gov

July 28, 2016

CalPERS ID: 7069113764
Job Number: SP15-035

Raul M. Zamora, Ed.D, Assistant Superintendent, Human Resources
Fremont Unified School District
4210 Technology Drive
Fremont, CA 94538

Dear Mr. Zamora:

Enclosed is our final report on the results of the public agency review completed for the Fremont Unified School District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted 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. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief
Office of Audit Services

Enclosure

cc: Alameda County Board of Education
Board of Education, Fremont Unified School District
Alameda County Superintendent of Schools
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS
Carene Carolan, Chief, MAMD, CalPERS

FREMONT UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

| <u>SUBJECT</u> | <u>PAGE</u> |
|---|-------------|
| Results in Brief..... | 1 |
| Scope..... | 1 |
| Office of Audit Services Review Results | 3 |
| 1: Pay Schedule | 3 |
| 2: Special Compensation | 5 |
| 3: Member Reciprocal Self-Certification | 7 |
| Observation: Census Data Reporting..... | 8 |
| Conclusion | 9 |
| Objectives | Appendix A |
| Agency's Written Response | Appendix B |

FREMONT UNIFIED SCHOOL DISTRICT

RESULTS IN BRIEF

The objective of our review was to determine whether the Fremont Unified School District (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings during the review. Details are noted in the Results section beginning on page three of this report.

- Pay schedules did not meet all of the Government Code and CCR requirements.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Member reciprocal self-certification was not maintained.
- Observation: Agency records did not agree with my|CalPERS information.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

SCOPE

The Alameda County Schools, which includes the Agency, contracted with CalPERS effective July 1, 1949 to provide retirement benefits for miscellaneous employees. Individual school districts, such as the Agency, input members' payroll into the Alameda County Schools payroll system. The Alameda County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the Alameda County Schools contract with CalPERS, the Agency agreed to be bound by the terms of the contract and the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from

FREMONT UNIFIED SCHOOL DISTRICT

July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

FREMONT UNIFIED SCHOOL DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.

Condition:

The Agency did not have a pay schedule that met all of the Government Code and CCR requirements. Specifically, the Agency did not have one pay schedule that identified all of the employee positions and the time base for those positions.

Only compensation earnable as defined under Government Code Section 20636.1 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636.1(b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

FREMONT UNIFIED SCHOOL DISTRICT

Recommendation:

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20636.1

CCR: § 570.5

FREMONT UNIFIED SCHOOL DISTRICT

2: The Agency did not report special compensation in accordance with the Government Code and CCR.

Condition:

- A. The Agency incorrectly reported the monetary value of uniforms for a Custodian in the pay period ended June 30, 2014. Specifically, the employee was hired on January 9, 2013 and subject to PEPRA. The monetary value of uniforms is not a reportable item of special compensation for employees subject to PEPRA. Therefore, the Agency should not have reported the monetary value of uniforms for the PEPRA employee since it does not meet the requirement of pensionable compensation as defined in Government Code Section 7522.34(c)(7).

- B. The Agency incorrectly included special compensation in base payrate and regular earnings for three employees who qualified for Educational Incentive and/or Bilingual Pay in pay period ended June 30, 2014. Educational Incentive Pay and Bilingual Pay are defined in the Agency's board approved written labor policies and are exclusively listed as special compensation in CCR Section 571. Therefore, Educational Incentive Pay and Bilingual Pay should be reported as special compensation separately from base payrate and regular earnings.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification.

Recommendation:

The Agency should ensure the monetary value of uniforms is not reported as special compensation for PEPRA employees.

The Agency should report special compensation separately from base payrate and regular earnings.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

FREMONT UNIFIED SCHOOL DISTRICT

Criteria:

Government Codes: § 20160, § 20636.1, § 7522.34
CCR: § 571

FREMONT UNIFIED SCHOOL DISTRICT

3: The Agency did not maintain the required member reciprocal self-certification.

Condition:

The Agency did not maintain the required member reciprocal self-certification for two employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individuals.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide additional information if reciprocity exists. Further, the Agency should ensure it retains this information.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 7522.02, § 7522.04
CCR: § 579.3

FREMONT UNIFIED SCHOOL DISTRICT

Observation: The Agency's records do not agree with my|CalPERS information.

Condition:

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified 12 employees who had hire dates that were different from the hire dates in my|CalPERS. OAS also identified two employees who had names that were different from the names in my|CalPERS. Furthermore, the Agency's records show that there are 18 employees who have separated from the Agency; however, the employees were not separated through my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

FREMONT UNIFIED SCHOOL DISTRICT

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract 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 30 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, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, CPA, MBA
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Diana Thomas, CIA, CIDA, Senior Manager
Marlene Noss, Staff Management Auditor
Patrick McCasland, CPA, Lead Auditor
Sean Gerardo, Auditor

FREMONT UNIFIED SCHOOL DISTRICT

APPENDIX A

OBJECTIVES

FREMONT UNIFIED SCHOOL DISTRICT

OBJECTIVES

The objectives of this review were to determine whether the Agency complied with:

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting procedures prescribed in the Agency's retirement contract with CalPERS.

METHODOLOGY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
 - Provisions of the contract and contract amendments between the Agency and CalPERS
 - Correspondence files maintained at CalPERS
 - Agency Board minutes and Agency Board resolutions
 - Agency written labor policies and agreements
 - Agency salary, wage, and benefit agreements including applicable resolutions
 - Agency personnel records and employee time records
 - Agency payroll information including Contribution Detail Transaction History reports
 - Documents related to employee payrate, special compensation, and benefits
 - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the Agency's governing body in accordance with requirements of applicable public meetings laws.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

FREMONT UNIFIED SCHOOL DISTRICT

APPENDIX B

AGENCY'S WRITTEN RESPONSE



FREMONT UNIFIED
SCHOOL DISTRICT

4210 Technology Drive
P.O. Box 5008
Fremont, CA 94538
(510) 657-2350
www.fremont.k12.ca.us

June 30, 2016

Email, Regular and Certified Mail

CalPERS ID: 7069113764

Job Number: SP15-035

Beliz Chappuie, Chief
Office of Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229-2701

Dear Ms. Chappuie:

1. In review of the all of the bullet points listed on page 3, Fremont Unified School District (FUSD) believes all elements are met. As per the conversation between Sean Gerardo, Patrick McCasland and Julie Minot, all classified salary schedules will be condensed into one document and posted on the district website.
2.
 - a. FUSD agrees with the audit finding. The reporting of the uniform allowance will be removed based within the reported time frame. The uniform allowance no longer exists for employees. Uniform are now provided to employees.
 - b. Special compensation amounts listed in the draft audit review document will be reported separately from base pay rate and regular earnings and all future employees will be reported per the recommendations in the audit report.
3. FUSD agrees with the audit findings. All employees hired who fall under PEPPRA guidelines will complete the Member Reciprocal Self-Certification Form and the retirement appointments keyed in to My CalPERS will include reciprocal agency information as applicable.

All employee records listed in the Observations section will have corrections made to the retirement appointment information in My CalPERS. Employees responsible for entering this information have been trained on proper completion of the appointment details.

Sincerely,

Original signed by Raul M. Zamora

Raúl M. Zamora

Board of Education
Larry Sweeney
Ann Crosbie
Yang Shao, Ph.D.
Michele Berke, Ph.D.
Desrie Campbell

Superintendent
James Morris, Ed.D.
(510) 659-2542
Associate Superintendent
Raul A. Parungao
(510) 659-2572

Assistant Superintendent, Instruction
Kim Wallace, Ed.D.
(510) 659-2583
Assistant Superintendent, Human Resources
Raúl M. Zamora, Ed.D.
(510) 659-2556