

Office of Audit Services



Public Agency Review

Ravenswood City School District

**CalPERS ID: 2057831395
Job Number: P15-005**

June 2016



California Public Employees' Retirement System
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June 30, 2016

CalPERS ID: 2057831395
Job Number: P15-005

Gloria Hernandez-Goff, Superintendent
Ravenswood City School District
2120 Euclid Avenue
East Palo Alto, CA 94303

Dear Ms. Hernandez-Goff:

Enclosed is our final report on the results of the public agency review completed for the Ravenswood City 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: San Mateo County Office of Education
Board of Directors, Ravenswood City School District
Prima Singh, Interim Chief Business Official, Ravenswood City School District
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

RAVENSWOOD CITY 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: Membership	6
4: Member Reciprocal Self-Certification	7
5: Health Benefits Enrollment.....	8
Conclusion	9
Objectives	Appendix A
Agency’s Written Response.....	Appendix B

RAVENSWOOD CITY SCHOOL DISTRICT

RESULTS IN BRIEF

The objective of our review was to determine whether the Ravenswood City 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 schedule did not meet all of the Government Code and CCR requirements.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Eligible part-time employees were not enrolled timely
- Member reciprocal self-certification was not maintained.
- Eligibility verification for CalPERS Health Benefits Program was not provided.

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.

The Agency's response will be included as an Appendix to the Final Report.

SCOPE

The San Mateo County Schools, which includes the Agency, contracted with CalPERS effective October 1, 1948 to provide retirement benefits for miscellaneous members. Individual school districts, such as the Agency, input members' payroll into the San Mateo County Schools payroll system. The San Mateo Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the San Mateo 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.

RAVENSWOOD CITY SCHOOL DISTRICT

In addition, the San Mateo County Schools contracted with CalPERS to provide health benefits to eligible employees effective September 1, 1994 which was subsequently amended on November 1, 2003. The Agency is responsible for providing employees with enrollment information and has the authority to request documentation needed to determine the eligibility of family members.

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's payroll reporting and member enrollment processes related to the San Mateo Schools' retirement and health contracts with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from July 1, 2012 through June 30, 2015. The review objectives and methodology are listed in Appendix A.

RAVENSWOOD CITY SCHOOL DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Condition:

The Agency did not have a pay schedule that met all the requirements of the Government Code and CCR. Specifically, the Agency had multiple salary schedules that were approved by its governing body. Additionally, the Agency provided salary schedules that excluded teacher positions and did not indicate the time base for every position listed.

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.

RAVENSWOOD CITY SCHOOL DISTRICT

Recommendation:

The Agency should ensure it has a pay schedule that 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

RAVENSWOOD CITY SCHOOL DISTRICT

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

Condition:

The Agency incorrectly reported Educational Incentive Pay of \$91.09 as special compensation for a Stem Coordinator in the pay period ended May 31, 2015. Specifically, the Stem Coordinator is a management position and the Agency did not have a written labor agreement or policy for its management employees. Although Educational Incentive Pay is defined as special compensation in CCR Section 571(a), it did not meet the requirements of CCR Section 571(b) since it was not contained in a written labor policy or agreement indicating the eligibility and amount of special compensation.

Recommendation:

The Agency should only report items of special compensation that qualify as stated in the Government Code and CCR.

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, § 20636.1
CCR: § 571

RAVENSWOOD CITY SCHOOL DISTRICT

3: The Agency did not enroll employees upon meeting CalPERS membership eligibility.

Condition:

The Agency did not enroll two part-time employees when membership eligibility requirements were met. Specifically, a Substitute Van Driver completed 1,000 hours of work and met eligibility in the month of June 2014; however, the Agency did not enroll the employee into membership. In addition, a Classified Substitute employee completed 1,000 hours of work in the month of June 2014; however, the Agency did not enroll the employee into membership until April 1, 2015. Government Code Section 20305 requires employees who complete 1,000 hours within a fiscal year to be enrolled into membership effective no 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. The Agency had a similar finding in a prior CalPERS review dated October 2005.

Government Code Section 20283 provides that any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all arrears cost for member contributions and administrative costs of five hundred dollars (\$500) per member as reimbursement to this system's current year budget.

Recommendation:

The Agency should ensure employees are enrolled when membership eligibility requirements are met.

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

Criteria:

Government Codes: § 20044, § 20160, § 20283, § 20305

RAVENSWOOD CITY SCHOOL DISTRICT

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

Condition:

The Agency did not maintain the required member reciprocal self-certification for an employee 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 the additional required information if reciprocity exists. Further, the Agency should ensure it retains the information provided.

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

RAVENSWOOD CITY SCHOOL DISTRICT

5: The Agency did not provide eligibility verification of health enrollment.

Condition:

The Agency was unable to provide information to support enrollment of individuals in the CalPERS Health Benefits Program. Specifically, the Agency did not provide documents such as marriage and birth certificates. In addition, the Agency did not maintain a Health Benefits Plan Enrollment form for an eligible employee who declined health coverage.

Recommendation:

The Agency must ensure that the proper member and dependent enrollment documentation is on file at the Agency within 60 days from the date of the final report.

The Agency should work with CalPERS Member Account Management Division to provide the required documentation and to cancel enrollment of any person who is found to be ineligible to participate in the CalPERS Health Benefits Program.

Criteria:

Government Codes: § 20085, § 20160, § 22775, § 22800
CCR: § 599.500

RAVENSWOOD CITY 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
Aileen Wong, MBA, Lead Auditor
Christopher Lee, Auditor

RAVENSWOOD CITY SCHOOL DISTRICT

APPENDIX A

OBJECTIVES

RAVENSWOOD CITY 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 and enrollment procedures prescribed in the Agency's retirement and health 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.

RAVENSWOOD CITY SCHOOL DISTRICT

- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when unlawful employment occurs.
- ✓ Reviewed the Agency's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide additional service credits for unused sick leave.
- ✓ Reviewed health records to determine whether the Agency properly enrolled eligible individuals into CalPERS Health Benefits Program.

RAVENSWOOD CITY SCHOOL DISTRICT

APPENDIX B

AGENCY'S WRITTEN RESPONSE



"OUR CHILDREN – OUR FUTURE"

Ravenswood City School District

ADMINISTRATIVE OFFICE

2120 Euclid Avenue, East Palo Alto, California 94303

(650) 329-2800 Fax (650) 323-1072

Board Members:

Marco Chavez, President

Sharifa Wilson, Vice President

Ana Pulido, Clerk

Marcelino López, Member

Charlie M. Knight, Member

Dr. Gloria Hernandez-Goff
Superintendent

June 13, 2016

Beliz Chappuie, Chief
Office of Audit Services
P. O. Box 942701
Sacramento, CA 94229-2701

Re: Responses to Audit Finding

Dear Ms. Chappuire:

This letter is written in response to the audit findings in the draft copy of your Audit Report dated May 26, 2016. The response to each audit finding is indicated below:

1. The Agency's pay schedule did not meet all of the Government Code and CCR requirements.

Ravenswood City School District's Human Resource Director ensures that all salary schedules will be approved by the governing board in accordance with the requirements of applicable public meeting laws. The salary schedules have been revised to incorporate time base with an effective and date of the revision. The district will make sure that all the salary schedules are retained for five years. The district will begin working on a policy for management employees to ensure that all add-ons are reflected on the management salary schedule. The CalPERS Employer Educator division has contacted the district to provide training to RCSD staff on all specified areas in the audit and any other areas the staff need training.

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

Ravenswood City School District will be revising the management salary schedule to include all Educational Incentive Pay and have a written policy for its management employees on special compensation.

3. The Agency did not enroll employees upon meeting CalPERS membership eligibility.

Ravenswood City School District has developed a system with San Mateo County Office of Education that when an employee reaches the 1,000 hours, the following pay period the employee will be enrolled into membership. The district's payroll staff will work closely with SMCOE staff to monitor this carefully and accurately.

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

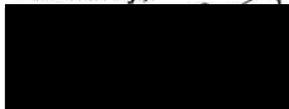
Ravenswood City School District will maintain the required member reciprocal self-certification for all employees. The district was providing such form to only full time permanent employees, the district is now aware of this regulation and will be providing the reciprocal self -certification form to all employees upon hire and the completed form will be kept in the employees personnel file.

5. The Agency did not provide eligibility verification of health enrollment.

Ravenswood City School District requires members to provide supporting documents for all eligible dependents. Human Resource staff will audit the documents and ensure that the proper documents are maintained in personnel file prior to enrollment. The district was keeping declined health coverage on CalPERS health enrollment form, however during the audit the district was notified of the Health Benefits Plan Enrollment form that should be given to the employees when they decline coverage and this form must be kept in the personnel file. The district has since been providing this form to its members who decline coverage and a copy maintained in personnel file.

If you have any questions, please feel free to contact me 650-329-2800 ext. 60101.

Sincerely,

A black rectangular redaction box covering the signature of Prima Singh.

Original signed by Prima Singh

Prima Singh
Interim CBO