

Office of Audit Services



CalPERS

Public Agency Review

Stockton Unified School District

**CalPERS ID: 3547333131
Job Number: SP15-019**

September 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

September 29, 2016

CalPERS ID: 3547333131
Job Number: SP15-019

Lisa Grant-Dawson, Chief Business Official
Stockton Unified School District
701 North Madison Street
Stockton, CA 95202

Dear Ms. Grant-Dawson:

Enclosed is our final report on the results of the public agency review completed for the Stockton Unified School District (Agency). Your written response is included as an appendix to 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: Board of Trustees, San Joaquin County Schools
Board of Education, Stockton Unified 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

STOCKTON 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: Reciprocal Self-Certification.	6
4: Retroactive Salary Adjustments.	7
Observation: Census Data Reporting.	8
Conclusion.....	9
Objectives.....	Appendix A
Agency’s Written Response.....	Appendix B

STOCKTON UNIFIED SCHOOL DISTRICT

RESULTS IN BRIEF

The objective of our review was to determine whether the Stockton 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 and observation 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.
- Member reciprocal self-certification information was not maintained.
- Retroactive salary adjustments were incorrectly reported.
- 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 San Joaquin County Schools contracted with CalPERS effective July 1, 1949 to provide retirement benefits for local miscellaneous and safety (police) employees. Individual school districts, such as the Agency, input members' payroll data into the San Joaquin County School's payroll system. The San Joaquin County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the San Joaquin 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

STOCKTON UNIFIED SCHOOL DISTRICT

examination of the sampled employees, records, and pay periods from 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.

STOCKTON 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 salary schedules did not indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually for the positions. In addition, the Agency did not maintain one pay schedule that identified the position title and payrate for every employee position. Multiple salary schedules were needed to identify position titles.

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

STOCKTON UNIFIED SCHOOL DISTRICT

determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

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

STOCKTON UNIFIED SCHOOL DISTRICT

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

Condition:

- A. The Agency did not report the monetary value of uniforms in accordance with the Government Code and CCR. Specifically, the Agency did not report the monetary value for the purchase and cleaning of uniforms for classic safety and maintenance operations employees. Government Code Section 20636 and CCR Section 571(a)(5) requires the monetary value for the purchase, rental, and/or maintenance of required clothing to be reported as special compensation for classic employees.
- B. The Agency's written labor policy for the safety and maintenance operations employees did not include the conditions of payment for uniforms. CCR Section 571 requires the written labor policy or agreement contain the conditions for payment of, including, but not limited to, eligibility for, and amount of the special compensation.

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 an approved 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, reported separately from payrate and earnings, and historically consistent with prior payments for the job classification.

Recommendation:

The Agency should report the monetary value for the purchase, rental and/or maintenance of required clothing as special compensation for classic employees.

The Agency should ensure the conditions for payment of special compensation items are contained in a written labor policy or agreement.

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, § 20630, § 20636.1
CCR: § 571

STOCKTON 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 an employee hired after January 1, 2013. Specifically, the Agency did not maintain the required member reciprocal self-certification form for the Police Chief. 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 Code: § 20160, § 7522.02, § 7522.04
CCR: § 579.3

STOCKTON UNIFIED SCHOOL DISTRICT

4: The Agency incorrectly reported retroactive salary adjustments.

Condition:

The Agency incorrectly reported a retroactive salary adjustment of \$471.60 as a lump sum amount. Specifically, a Food Service Assistant received a 3.5 percent salary increase that totaled \$471.60 for the 2013-14 academic year. The Agency incorrectly reported the entire adjustment in the July 2013 pay period rather than reporting it monthly. For retroactive pay increases, the Agency should also provide the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

Recommendation:

The Agency should ensure retroactive adjustments are reported in the correct pay periods.

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 Code: § 20120, § 20121, § 20160, § 20630, § 20636.1

STOCKTON UNIFIED SCHOOL DISTRICT

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

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 numerous individuals who had employment statuses that were different from the employment status in my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

STOCKTON 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
Chris Wall, Senior Manager
Marlene Noss, Staff Management Auditor
Emma Shaw, Auditor
Benjamin Banahene, Auditor

STOCKTON UNIFIED SCHOOL DISTRICT

APPENDIX A

OBJECTIVES

STOCKTON 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.), PEPPRA, 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.

STOCKTON UNIFIED SCHOOL DISTRICT

APPENDIX B

AGENCY'S WRITTEN RESPONSE



BUSINESS SERVICES

Lisa Grant-Dawson
Chief Business Official
701 North Madison Street
Stockton, CA 95202-1687
(209) 933-7010, Ext. 2091
FAX (209) 933-7011

BOARD OF
EDUCATION
Gloria Allen
Andrea Burrise
Kathleen Garcia
Colleen Keenan
Maria Mendez
Angela Phillips
Steve Smith

SUPERINTENDENT
Eliseo Dávalos, Ph.D.

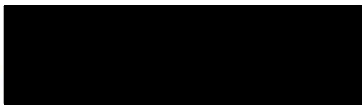
September 10, 2016

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

Dear Ms. Chappuie,

The District is in receipt of your draft report of the compliance audit you performed for the Stockton Unified School District for the period of July1, 2013 – June 30, 2014. The District finds no objections to your audit findings and appreciates the awareness obtained. It is our intent to use this report as a metric for our current and pending changes to our policies and procedures to ensure compliance. We anticipate your forthcoming publishing of the final draft.

Sincerely,



Original signed by Lisa Grant-Dawson

Lisa Grant-Dawson
Chief Business Official

Cc: Tammy Reynolds, Payroll Manager
Joseph Fiori, Human Resource Operations Manager
Gene Wylie, Principal Auditor
Craig Wells, Assistant Superintendent, Human Resources