Office of Audit Services

Public Agency Review

Grass Valley Elementary School District

Employer Code: 0240-004
CalPERS ID: 1026308084
Job Number: FR12-008

August 2013

California Public Employees' Retirement System
Office of Audit Services
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August 16, 2013

Employer Code: 0240-004
CalPERS ID: 1026308084
Job Number: FR12-008

Grass Valley Elementary School District
Donna Hardy, Administrative Assistant
10840 Gilmore Way
Grass Valley, CA 95945

Dear Ms. Hardy:

Enclosed is our final report on the results of the public agency review completed for the Grass Valley Elementary School District. 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 District and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed By Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure:

Cc: Debbie Ledford, Nevada County Office of Education
Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

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GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

RESULTS IN BRIEF

The California Public Employees' Retirement System (CalPERS) Office of Audit Services (OAS) previously issued its draft compliance review of the Grass Valley Elementary School District's (District) payroll reporting and enrollment reporting procedures in April 2013 (Job number P12-005). This report did not include a determination or opinion as to whether temporary and part-time employees who worked 20 hours or more per week during a ten-month school year met CalPERS membership eligibility requirements. Consequently, OAS performed a second follow-up review and examined whether temporary and part-time employees were enrolled correctly. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the focused review:

- Temporary employee was erroneously enrolled into membership.
- Part-time employees who met membership eligibility requirements were not enrolled timely.

A confidential list identifying the individuals mentioned in this report is attached as an appendix to this draft report.

DISTRICT BACKGROUND

The District was established in 1868 and serves approximately 1,663 kindergarten through eighth grade students in four schools: Hennessy School (grades K-5), Scotten School (grades K-5), Lyman Gilmore Middle School (grades 6-8), and the Grass Valley Charter School at Bell Hill (grades K-8). In addition, the District operates three preschool sites.

The Nevada County Schools, which includes the District, contracted with CalPERS effective July 1, 1948 to provide participation in CalPERS for local miscellaneous employees. The District's certificated employees (i.e., school teachers) participate in the State Teachers' Retirement System; however, certificated employees who have established prior membership may elect to remain members of CalPERS.

Individual school districts within Nevada County Schools input members' payroll into the Nevada County Schools' payroll system. The Nevada County of Schools Superintendent's Office (NCSSO) reports the monthly payroll for the school districts through my|CalPERS. The individual school districts are responsible for making the necessary changes during the school year to employees' position, assignment, salary rate as well as the addition or deletion of employees to the payroll system.

All contracting public agencies, including the District, are responsible for the following:

- Determining CalPERS membership eligibility for its employees.
- Enrolling employees into CalPERS upon meeting membership eligibility criteria.
- Enrolling employees in the appropriate membership category.
- Establishing the payrates for its employees.
- Approving and adopting all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publishing all employees' payrates in a publicly available pay schedule.
- Identifying and reporting compensation during the period it was earned.
- Ensuring special compensation is properly identified and reported.
- Reporting payroll accurately.
- Notifying CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensuring the employment of a retired annuitant is lawful and reinstating retired annuitants that work more than 960 hours in a fiscal year.

SCOPE

OAS performed and issued its draft compliance review of the District's payroll reporting and enrollment reporting procedures in April 2013. During the course of performing this review, OAS identified a potential membership enrollment issue in connection with temporary and part-time employees who worked 20 hours or more per week during a ten-month school year. As a result, OAS performed a follow-up membership enrollment review to further analyze this issue.

This follow-up review was limited to the examination of records pertaining to the temporary and part-time employees who worked 20 hours or more per week during a ten-month school year. The review period was limited to the examination of sampled records and processes from July 1, 2006 through June 30, 2012. The review objectives and a summary of the procedures performed are listed in Appendix B.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: Temporary employee was erroneously enrolled into membership.

Recommendation:

The District should review the membership status of all temporary employees and enroll only those that meet membership eligibility requirements.

The District should work with Customer Account Services Division (CASD) to assess the membership status of temporary employees who were erroneously enrolled prior to meeting membership eligibility requirements. CASD should make the necessary adjustments to temporary/part-time employees' member accounts pursuant to Government Code Section 20160.

Condition:

The District erroneously enrolled a temporary employee into membership on January 1, 2012 prior to meeting the 1,000-hour membership eligibility requirement. However, the employee met the membership eligibility requirement by working 1,150.50 hours in fiscal year 2011-2012 and should have been enrolled in the earned period ending May 31, 2012. For temporary and part-time employees who complete 1,000 hours within a fiscal year, membership shall be effective not later than the first day of the first earned period of the month following the month in which 1,000 hours of service were completed.

Criteria:

Government Code: § 20160, § 20305

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

Finding 2: Eligible part-time employees were not enrolled into membership timely.

Recommendation:

The District should enroll all eligible employees into CalPERS membership when membership eligibility requirements are met pursuant to Government Code Section 20305.

The District should work with CASD to ensure that eligible part-time employees are enrolled into CalPERS membership. CASD should make the necessary adjustments to the part-time employees' accounts pursuant to Government Code Section 20160.

Condition:

The District did not enroll two part-time employees into CalPERS membership timely. Specifically,

- One employee met membership eligibility requirements by working in a position for at least an average of 20 hours per week for the equivalent of one year or longer. The employee was appointed to a probationary/ permanent position effective November 14, 2011. However, the District did not enroll this employee into CalPERS membership until August 20, 2012.

- A second employee met eligibility requirements by working in a position for at least an average of 20 hours per week for the equivalent of one year or longer. The employee was appointed to a probationary/permanent position effective February 23, 2011. However, the District did not enroll this employee into CalPERS membership until December 1, 2011.

Criteria:

Government Code: § 20160, § 20305

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

CONCLUSION

OAS limited this review to the area specified in the scope section of this report and in the objectives as outlined in Appendix B. The membership enrollment test was limited to the examination of records pertaining to the part-time employees who worked 20 hours or more per week during a ten-month school year. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code except as noted.

The finding 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, California Code of Regulations.

Respectfully submitted,

Original Signed By Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: August 2013
Staff: Cheryl Dietz,CPA, Assistant Chief
Michael Dutil, CIA, CRMA, Manager
Diana Thomas, CIA, CIDA, Manager
Adeeb Alzanoon, Auditor
Chris Wall, Auditor
Emma Shaw, Auditor
Edward Fama, Auditor

APPENDIX A

BACKGROUND

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

BACKGROUND

California Public Employees' Retirement System

CalPERS provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The District contracts with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS CASD manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. In addition, CASD provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts. CalPERS Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The District's knowledge of the laws relating to membership and payroll reporting facilitates the District in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

APPENDIX B

OBJECTIVES

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the District complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the District's retirement contract with CalPERS were followed.

This review covers the period of July 1, 2006 through June 30, 2012.

SUMMARY

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

✓ Reviewed:
- o Provisions of the Contract and contract amendments between the District and CalPERS
- o Correspondence files maintained at CalPERS
- o District written labor policies and agreements
- o District personnel records and employee hours worked records
- o Various other documents as necessary

✓ Reviewed the District's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.

APPENDIX C

AGENCY RESPONSE

10840 Gilmore Way
Grass Valley, CA 95945
(530) 273-4483
FAX (530) 273-0248

Grass Valley School District

Eric Fredrickson
Superintendent

July 3, 2013

California Public Employees' Retirement System
Office of Audit Services – Margaret Junker, Chief
PO Box 942701
Sacramento, CA 94229-2701

RE: RESPONSE TO CALPERS PUBLIC AGENCY REVIEW
Dated June 7, 2013

Finding 1:
Temporary employee was erroneously enrolled into membership
Finding 2:
Eligible part-time employees were not enrolled into membership timely
Agree.
Previously, we had been instructed to enroll classified staff in to CalPERS if they were hired to work 4 hours or more per day or 20 hours per week on a permanent basis. Based on the CalPERS audit services review, working with our County Superintendent of Schools Office, we have developed a process in our software system to do a monthly review of our classified staff that are not enrolled in CalPERS, to monitor this issue and enroll our part-time classified staff into CalPERS using the 1,000 hours within a fiscal year guideline.

Sincerely,

Donna M. Hardy
Administrative Assistant