

Office of Audit Services



Public Agency Review

Peralta Community College District

**Employer Code: 0248-063
CalPERS ID: 7122656152
Job Number: P12-002**

August 2013

California Public Employees' Retirement System
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August 21, 2013

Employer Code: 0248-063
CalPERS ID: 7122656152
Job Number: P12-002

Peralta Community College District
Fred O'yang, Payroll Manager
333 East 8th Street
Oakland, CA 94606

Dear Mr. O'yang:

Enclosed is our final report on the results of the public agency review completed for the Peralta Community College 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: Ronald Gerhard, Vice Chancellor of Finance, Peralta Community College District
Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Anthony Suine, Chief, BNSD, CalPERS

PERALTA COMMUNITY COLLEGE DISTRICT

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PERALTA COMMUNITY COLLEGE DISTRICT

RESULTS IN BRIEF

The California Public Employees' Retirement System (CalPERS) Office of Audit Services (OAS) reviewed the Peralta Community College District's (District) enrolled individuals, member compensation, retirement information and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page four of this report. Specifically, the following findings were noted during the review:

- Confidential employees' pay schedule was not approved by the District's Board of Trustees.
- Management and local employees' pay schedules did not identify the position title for each position.
- Teachers' pay schedules did not identify the position title for each position and did not indicate the time base.
- Payrates and earnings were incorrectly reported.
- Long-term disability premium was incorrectly reported in payrate and earnings.
- Non-reportable compensation was incorrectly reported.
- Longevity pay was incorrectly reported in payrates and earnings and some amounts reported were not in accordance with the labor agreements.
- Shift differential pay was incorrectly reported as regular earnings.
- Temporary upgrade pay was under-reported.
- Payrates were incorrectly reduced and reported due to a furlough day.
- Payrates and earnings were not reported.
- Earnings were under-reported.
- Compensation was not reported as earned.
- Scheduled full-time hours per week were incorrectly reported.
- Temporary/part-time employees eligible for membership were not enrolled.
- Temporary/part-time employees eligible for membership were not enrolled timely.

DISTRICT BACKGROUND

The District was formed in 1964 and provides educational services to the residents of the surrounding area. The District is governed by a seven-member Board of Trustees. Labor agreements and employment contracts outline all District employees' salaries and benefits and state the agreed upon employment terms between the District and its employees.

The Alameda County Schools (ACS), which includes the District, contracted with CalPERS effective July 1, 1949, to provide participation in CalPERS for local

PERALTA COMMUNITY COLLEGE DISTRICT

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 ACS input members' payroll into the ACS payroll system. The Alameda County Office of Education (ACOE) 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 the employee's position, assignment, salary rate, and the addition or deletion of employees to the payroll system. The ACOE audits the information provided by the Districts for any errors or discrepancies prior to entering the transactions into my|CalPERS.

Prior to the implementation of my|CalPERS on September 19, 2011, the members reported on the payroll listing were grouped by unit codes. The unit code is a unique number assigned to the ACS and each of the school districts that are reporting to CalPERS under the same employer code. ACS is comprised of the ACOE, 18 school districts, and three community college districts. Our review was limited to the Peralta Community College District - Unit Code 063. Subsequent to my|CalPERS each school district within ACS received a unique CalPERS ID.

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.

PERALTA COMMUNITY COLLEGE DISTRICT

SCOPE

As part of the Board approved plan for fiscal year 2012/2013, the OAS reviewed the District's payroll reporting and member enrollment processes as these processes relate to the ACS' retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from July 1, 2009 through June 30, 2012. The on-site fieldwork for this review was conducted on August 27, 2012 through September 6, 2012. The review objectives and a summary of the procedures performed are listed in Appendix B.

PERALTA COMMUNITY COLLEGE DISTRICT

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: Pay schedule was not approved by the District's Board of Trustees.

Recommendations:

The District should ensure all pay schedules are approved by its Board of Trustees.

The District should work with Customer Account Services Division (CASD) to develop publicly available pay schedules that meet the criteria of California Code of Regulations Section 570.5 and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District's confidential employees' pay schedule did not meet all the requirements of a publicly available pay schedule pursuant to Government Code Section 20636 and California Code of Regulations Section 570.5. Specifically, the confidential employees' pay schedule effective July 1, 2007 was not approved by the District's Board of Trustees in accordance with requirements of applicable public meetings laws.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(b)(1), § 20636.1(d)

California Code of Regulations: § 570.5

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 2: Pay schedules did not identify the position title for each position.

Recommendation:

The District should ensure pay schedules list the position title for each employee position.

The District should work with CASD to develop publicly available pay schedules that meet the criteria of California Code of Regulations Section 570.5 and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District's pay schedules did not meet all the requirements of a publicly available pay schedule pursuant to Government Code Section 20636 and California Code of Regulations Section 570.5.

Specifically, the SEIU Local 1021 employees pay schedule, effective July 1, 2007, did not identify the position title for every employee position. OAS identified one position, Staff Assistant/PACE, that was not listed on the pay schedule.

In addition, the management employees' pay schedule, effective July 1, 2011, did not identify the position title for the former Chancellor who retired on July 1, 2010.

OAS reviewed the payrates during fiscal years 2007/2008, 2008/2009, and 2009/2010 for the former Chancellor's position and found the position was also not listed on the management pay schedules during those fiscal years.

Subsequent to the on-site fieldwork, CASD completed a determination regarding the former Chancellor's payrate. As a result, OAS did not review this issue further.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(b)(1), § 20636.1(d)

California Code of Regulations: § 570.5

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 3: Teacher's pay schedules did not identify the position title for all positions and did not indicate a time base.

Recommendation:

The District should ensure pay schedules identify the position title for all employee position and indicate a time base.

The District should work with CASD to develop publicly available pay schedules that meet the criteria of California Code of Regulations Section 570.5 and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The Peralta Federation of Teachers Regular Pay Scale effective July 1, 2007 did not identify the position title for all employee positions. In addition, the Peralta Federation of Teachers Adjunct Faculty and Extra Service pay schedule effective July 1, 2007 did not identify the position title for all employee positions and did not indicate a time base.

As a result, the Peralta Federation of Teachers pay schedules did not meet all the requirements of a publicly available pay schedule pursuant to Government Code Section 20636 and California Code of Regulations Section 570.5.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(b)(1), § 20636.1(d)

California Code of Regulations: § 570.5

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 4: Incorrect payrates and earnings were reported.

Recommendation:

The District should report correct payrates and earnings.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District reported incorrect payrates for two sampled employees. Per the Peralta Federation of Teachers labor agreement, the faculty employees are contracted to work 175 days per academic year, with instructional faculty employees working fifteen equated hours plus five office hours per week.

Specifically, an instructional faculty employee was contracted to work 175 days during ten months from August 2011 through May 2012 with compensation of \$101,260. The District paid the employee twelve payments of \$8,452.68 from August through June, with two payments occurring in June, and reported payrate and earnings of \$8,452.68 in each of the eleven months. As a result, the payrate and earnings were incorrectly reported. The District should have reported the full-time payrate and actual earnings for each month the employee worked.

In addition, the District incorrectly included non-reportable compensation in the reported payrate and earnings for the former employee who held the Vice Chancellor for Finance and Administration position during July 2008 through October 2008.

Specifically, the former Vice Chancellor for Finance and Administration's employment agreement effective July 1, 2008 to June 30, 2010 authorized an annual salary of \$185,000 (\$15,416.67 per month); however, during July 2008 through October 2008, the District incorrectly reported the employee's monthly payrate and earnings as \$15,868.07. The District incorrectly included non-reportable compensation (\$51.40 for long-term disability premium and a \$400 stipend for incidental expenses, addressed in finding 5 and 6, respectively) in the reported payrate and earnings.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(b)(1)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 5: Long-term disability (LTD) premium was incorrectly reported in payrates and earnings.

Recommendation:

The District should immediately stop reporting non-reportable compensation items to CalPERS.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District's labor agreements and policies provided LTD premium to all District employees. The District incorrectly included the LTD premium (0.0017 or 0.00325 percent) in the reported payrates and earnings for all sampled employees in fiscal year 2011/2012 and for one sampled employee in fiscal years 2008/2009 and 2009/2010. For example, in August 2011, the base monthly payrate for one employee was \$5,510; however, the District incorrectly included LTD premium pay (0.0017 percent) and reported a payrate of \$5,520.19. LTD premium is not a reportable item of compensation.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(a), § 20636.1(b)(1)

California Code of Regulations: § 571(a)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 6: Non-reportable compensation was incorrectly reported.

Recommendation:

The District should immediately stop reporting non-reportable compensation to CalPERS.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District incorrectly reported incidental expense reimbursement for three sampled employees during fiscal year 2011/2012. The non-reportable compensation ranged from \$300 to \$400 and was reported monthly as special compensation.

In addition, the District reported numerous non-reportable compensation as special compensation for the former Chancellor during fiscal year 2009/2010. The items were reported monthly and included, but were not limited to, car allowance, travel and incidental stipend, and cell phone allowance. The former Chancellor retired effective July 1, 2010, as a result, the non-reportable compensation was reported during the final compensation period.

At the time of our on-site fieldwork, CASD was in the process of making adjustments to the retiree's account, and therefore, OAS was unable to determine the specific amounts that were incorrectly reported for the retiree.

California Code of Regulations Section 571(a) identifies and defines items that are considered special compensation and must be reported to CalPERS. The list does not include incidental expense reimbursement, car allowance, travel and incidental stipend or cell phone allowance and therefore, the District should not have reported these non-reportable items to CalPERS.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(a), § 20636.1(c)(1),
§ 20636.1(c)(6)

California Code of Regulations: § 571(a)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 7: Longevity pay was incorrectly reported.

Recommendations:

The District should immediately begin reporting longevity pay as a separate line item and ensure amounts paid are in accordance with its labor agreements.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Conditions:

The District incorrectly reported longevity pay with payrate and regular earnings for three sampled employees during fiscal year 2011/2012. In addition, the amounts reported for two of the sampled employees were not in accordance with the specified amounts in the employee labor agreements. Specifically,

- For one sampled employee, the District incorrectly reported longevity pay in the amount of \$114.01 with payrate and earnings during fiscal year 2011/2012. The District should have reported longevity pay in the correct amount of \$104.17 separately as special compensation.
- For a second sampled employee, the District incorrectly reported longevity pay in the amount of \$104.17 with payrate and earnings in November 2011 through June 2012. The District should have reported longevity pay, separately, as special compensation.
- For a third employee the District incorrectly reported \$125.41 longevity pay in the payrate and earnings during fiscal year 2011/2012. The District should have reported longevity pay in the correct amount of \$125.00 separately as special compensation.

California Code of Regulations Section 571(a) includes longevity pay in its list that exclusively identifies and defines items that are considered special compensation that must be reported to CalPERS. Longevity pay must be reported to CalPERS separately as special compensation.

Criteria:

Government Code: § 20160, § 20636.1(a), § 20636.1(b)(1), § 20636.1(c)(2)

California Code of Regulations: § 571(a)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 8: Shift differential pay was incorrectly reported.

Recommendation:

The District should immediately begin reporting shift differential pay as special compensation separately from regular earnings.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

One sampled employee received shift differential pay in the amount of \$196.45 for working a graveyard shift in October 2011. However, the District incorrectly reported the shift differential pay as regular earnings. The IOUE Local 39 labor agreement specifies employees are to be compensated for shift differential at a rate of seven percent for graveyard shift. The District should have reported the shift differential pay as special compensation separate from regular earnings.

California Code of Regulations Section 571(a) includes shift differential pay as a special compensation item reportable to CalPERS.

CalPERS Public Agency and Schools Reference Guide requires that all special compensation be reported separately as special compensation, as it is earned.

Criteria:

Government Code: § 20160, 20636.1(a), § 20636.1(b)(1), § 20636.1(c)(1)

California Code of Regulations: § 571(a)

CalPERS Public Agency and Schools Reference Guide, Page 70

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 9: Temporary upgrade pay was under-reported.

Recommendation:

The District should report special compensation amounts pursuant to the provisions outlined in its labor agreements.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District under-reported temporary upgrade (differential) pay for one sampled employee. The employee was authorized to receive five percent differential pay in the amount of \$275.50 ($\$5,551 \times 0.05$) per month for working out of class during the 2011/2012 fiscal year.

The District paid and reported temporary upgrade pay as special compensation; however, it reported an incorrect monthly amount of \$265.00 which resulted in temporary upgrade pay being under-reported by \$10.50 each month.

The IOUE Local 39 labor agreement states, "Out of Class Pay - Employees required to perform work in a higher classification shall receive a five per cent differential or the first step of the salary range of the higher classification, whichever is greater for the entire period worked in the higher classification."

Criteria:

Government Code: § 20160, § 20636.1(c)(2)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 10: Incorrect payrates were reported.

Recommendation:

The District should report correct payrates pursuant to authorized public pay schedules.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

Seven sampled employees' earnings were reduced due to a District imposed furlough day during fiscal year 2011/2012; however, the District incorrectly reduced employees' reported payrates. In addition, the District erroneously reported payrates in certain instances.

- The District incorrectly reported the payrates for four sampled management employees in fiscal year 2011/2012. The District incorrectly reported a reduced monthly payrate. Only the reported earnings should have been reduced due to the furlough day.
- The District incorrectly reported a reduced payrate for a fifth employee in October 2011. Only the reported earnings should have been reduced due to the furlough day.
- The District incorrectly reported a reduced payrate for a sixth employee in September 2011 through June 2012. Only the reported earnings should have been reduced due to the furlough day. In addition, the District under-reported the monthly payrate in August 2011.
- The District incorrectly reported a reduced payrate for a seventh employee in August and December 2011 and January, February, March, and May 2012. Only the reported earnings should have been reduced due to the furlough day. In addition, the District reported incorrect monthly payrates in September through November 2011, and April 2012.

The District should have reported the monthly payrates pursuant to authorized public pay schedules.

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(b)(1)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 11: Payrates and earnings were not reported.

Recommendation:

The District should immediately report all payrates and earnings.

The District should work with CASD to determine the impact of this non-reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District did not report payrates and earnings to CalPERS for one sampled employee for two earned periods. The District did not report the monthly payrate of \$2,864 and earnings of \$594.89 (\$595.90 less non-reportable LTD premium addressed in Finding 5) during the earned period of June 1, 2012 through June 8, 2012. In addition, the District did not report the hourly payrate of \$14.19 and earnings of \$1,277.10 for summer employment during the earned period of June 11, 2012 through June 29, 2012.

Specifically, the sampled employee worked 30 hours per week from August 8, 2011 through June 8, 2012 (2011/2012 academic year) under the Local 1021 Permanent Employee Pay Schedule at Range 9/Step E with a full-time payrate of \$2,864 per month). The District paid the employee \$595.90, which equates to 36 hours at \$16.552777 per hour or \$2151.86 per month, Range 9/Step E for hours worked during the earned period of June 1, 2012 through June 8, 2012, part of the academic year; however, the District did not report the payrate and earnings to CalPERS.

In addition, the sampled employee also worked during the summer from June 11, 2012 through June 29, 2012 under the Local 1021 Hourly Pay Schedule at Range 11/Step E (\$14.19 per hour). The District paid the employee \$1,277.10 (90 hours at \$14.19 per hour, Range 11/Step E) for hours worked during the earned period of June 11, 2012 through June 29, 2012; however, the District did not report the payrate and earnings to CalPERS.

The CalPERS Public Agency and School Reference Guide states, "It is the District's responsibility to ensure employees are enrolled and reported accurately and timely."

PERALTA COMMUNITY COLLEGE DISTRICT

Criteria:

Government Code: § 20160, § 20630(b), § 20636.1(a)

CalPERS Public Agency and Schools Reference Guide, Page 89

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 12: Earnings were under-reported.

Recommendation:

The District should report the correct earnings.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District under-reported earnings for one sampled employee. Specifically, in October 2011, the District paid the sampled employee \$2,806.49 in regular earnings; however, the District only reported \$196.45 as regular earnings, which resulted in regular earnings being under-reported. The District should have reported regular earnings in the amount of \$2,801.20 (excluding non-reportable LTD premium as addressed under Finding 5).

OAS determined the \$196.45 reported as regular earnings was for a special compensation item, shift differential pay; which was addressed under Finding 8. As a result, OAS determined the District did not report the employee's regular earnings in October 2011.

The CalPERS Public Agency and School Reference Guide states that it is the District's responsibility to ensure employees are enrolled and reported accurately and timely.

Criteria:

Government Code: § 20160, § 20630(a), § 20636.1(a), § 20636.1(b)(1)

CalPERS Public Agency and Schools Reference Guide, Page 89

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 13: Compensation was not reported as earned.

Recommendation:

The District should immediately begin reporting compensation in the pay period in which it is earned.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

In fiscal year 2011/2012, the District did not report compensation as earned for one faculty employee who was contracted to work 10 months in the fiscal year.

Specifically, the employee was contracted to work 175 days from August 2011 through May 2012 and received \$101,260 in compensation. However, the District incorrectly reported the compensation over eleven months, including June, a month the employee did not work. The District should have reported earnings only in the ten months the employee actually worked.

The CalPERS Public Agency & Schools Reference Guide, page 99, states, in pertinent part, "In accordance with Government Code Section 20630 and 20633 employers shall identify the pay period in which the compensation was earned by the employee regardless of when it is reported in my|CalPERS or paid. Some employers make equal payments to their employees throughout the year. Employers may report equal payments during the member's appointment period provided the member renders services within the pay period reported to CalPERS. Salary withheld during the year to pay members during the time they are off should be reported as earned. In order to comply with Government Code Section 20630, equal payments cannot be reported outside the appointment period during a time when the member does not render service."

Criteria:

Government Code § 20160, § 20630(b)

CalPERS Public Agency and Schools Reference Guide, Page 99

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 14: Scheduled full-time hours were incorrectly reported.

Recommendation:

The District should report the scheduled full-time hours per week that reflects the normal full-time work schedule for employees in the same work group.

The District should work with CASD to determine the impact of this incorrect reporting and make the necessary adjustments to active and retired member accounts pursuant to Government Code Section 20160.

Condition:

The District incorrectly reported the scheduled full-time hours per week for one faculty employee during the 2011/2012 fiscal year. Per the Peralta Federation of Teacher's labor agreement, the full-time base contract load for instructional faculty employees is fifteen equated hours and five office hours per week. The full-time faculty employees are contracted to work 175 days per academic year, August to May.

However, the District incorrectly reported 40-hours per week as the scheduled full-time hours during the 2011/2012 fiscal year. The District should determine what is considered full-time for the position, the total hours per week that reflect the normal full-time work schedule for employees in the same work group, and report the appropriate scheduled full-time hours per week to CalPERS.

The CalPERS Public Agency and Schools Reference Guide page 86, states "Scheduled full-time hours per week denotes the number of hours an employee is scheduled to work per week and is required for all pay rate types. CalPERS considers full-time employment to range from 34 to 60 hours per week."

Criteria:

Government Code: § 20160, § 20636.1(b)(1)

CalPERS Public Agency and Schools Reference Guide, Page 86

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 15: Temporary/part-time employees eligible for membership were not enrolled.

Recommendation:

The District should review and monitor all hours worked in a fiscal year by temporary/part-time employees and timely enroll those individuals who meet membership eligibility criteria.

The District should work with CASD to assess the impact of this membership eligibility issue and make the necessary adjustments to member accounts pursuant to Government Code Section 20160.

Condition:

The District did not enroll temporary/part-time employees who met membership eligibility criteria. Specifically, OAS identified ten out of the fifteen sampled employees who worked more than 1,000 hours in fiscal year 2011/2012 and were not enrolled. The employees worked between 1,232 to 1,647 hours in fiscal year 2011/2012.

Criteria:

Government Code: § 20028(b), § 20125, § 20160, § 20305(a)(3)(B)

PERALTA COMMUNITY COLLEGE DISTRICT

Finding 16: Temporary/part-time employees eligible for membership were not enrolled timely.

Recommendation:

The District should review and monitor all hours worked in a fiscal year by temporary/part-time employees and timely enroll those individuals who meet membership eligibility criteria.

The District should work with CASD to assess the impact of this membership eligibility issue and make the necessary adjustments to member accounts pursuant to Government Code Section 20160.

Condition:

In addition to the ten employees who were not enrolled in membership (Finding 15), OAS found the District did not timely enroll four of the fifteen temporary/part-time employees reviewed who met membership eligibility criteria by working more than 1,000 hours in fiscal year 2011/2012.

Criteria:

Government Code: § 20028(b), § 20125, § 20160, § 20305(a)(1), § 20305(a)(3)(B)

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CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the District's payroll records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code 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 District 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 Division Chief
Diana Thomas, CIA, CIDA, Manager
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PERALTA COMMUNITY COLLEGE DISTRICT

APPENDIX A

BACKGROUND

PERALTA COMMUNITY COLLEGE 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 agencies contract 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.

CASD manages contract coverage for public agencies and receives, processes, and posts payroll information. 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 employer's knowledge of the laws relating to membership and payroll reporting facilitates the employer 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.

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APPENDIX B

OBJECTIVES

PERALTA COMMUNITY COLLEGE 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, 2009 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:
 - Provisions of the Contract and contract amendments between the District and CalPERS
 - Correspondence files maintained at CalPERS
 - District Board minutes and District Board resolutions
 - District written labor policies and agreements
 - District salary, wage and benefit agreements including applicable resolutions
 - District personnel records and employee hours worked records
 - District payroll information including Contribution Details reports
 - Other documents used to specify payrate, special compensation, and benefits for all employees
 - Various other documents as necessary
- ✓ Reviewed District payroll records and compared the records to data reported to CalPERS to determine whether the District correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to District 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 District's governing body in accordance with requirements of applicable public meeting laws.
- ✓ Reviewed CalPERS Contribution Details reports to determine whether the payroll reporting elements were reported correctly.

PERALTA COMMUNITY COLLEGE DISTRICT

- ✓ Reviewed the District's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the District's enrollment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when 960 hours were worked in a fiscal year.
- ✓ Reviewed the District's independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the District's affiliated entities to determine if the District shared employees with an affiliated entity and if the employees were CalPERS members and whether their earnings were reported by the District or by the affiliated entity.
- ✓ Reviewed the District's calculation and reporting of unused sick leave balances, if contracted to provide for additional service credits for unused sick leave.

PERALTA COMMUNITY COLLEGE DISTRICT

APPENDIX C

DISTRICT'S WRITTEN RESPONSE



Peralta Community College District

333 East Eighth Street · Oakland, California 94606 · (510) 466-7200

July 23, 2013

CalPERS, Office of Audit Services
Attn: Nuntawan Camyre
400 Q Street LPN 2220
Sacramento, CA 95811

Re: Response to Draft Report

On behalf of the Peralta Community College District, there are no disagreements with the draft report as discussed previously with Nuntawan Camyre. Please proceed to the next step.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred O'yang", written over a white background.

Fred O'yang
Payroll Manager
Peralta Community College District