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California State Teachers'
Retirement System
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February 21, 2019

Reporting Unit: 19630
Project Code: EA18-30

William Scroggins, Ph. D., President / Chief Executive Officer
Mt. San Antonio College
1100 N. Grand Ave.
Walnut, CA 91789

RE: Draft Report of Mt. San Antonio College

Dear Dr. Scroggins:

CalSTRS, through its Audit Services division, performed a limited scope review of unused sick leave and other information related to unused sick leave reported by Mt. San Antonio College (Employer). The purpose of the review was to confirm whether the Employer reported information in compliance with the Teachers' Retirement Law, as set forth in Education Code section 22000 et seq. and the California Code of Regulations, title 5, division 3. The review was authorized by Education Code section 22206(a) which states, "As often as the Board determines necessary, it may audit or cause to be audited the records of any public agency."

This enclosed draft report is not a public document. The Employer should use this report to prepare a written response to the finding, which must be submitted to Audit Services by March 25, 2019. The formal written response should address whether the Employer agrees with the finding in the report. Audit Services will evaluate the Employer's response and may or may not change the finding when the report is finalized. The Employer's response and Audit Services' evaluation will be included in the final report.

Please refer to the Confidential Appendix in the draft report for the name of each member sampled in the review and the required corrections for those specific members. To maintain the confidentiality of member account information in accordance with Education Code section 22306, access to the Confidential Appendix must be restricted to those involved in making the needed corrections.

The Los Angeles County Office of Education (LACOE) was notified by Audit Services as to the review conducted at the Employer. It is the Employer's responsibility to work with the LACOE to resolve any finding or reporting matters upon receiving the final report.

William Scroggins, Ph. D., President / CEO

February 21, 2019

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CalSTRS Audit Services appreciates the cooperation and assistance provided by the Employer staff during the review. If you have any questions regarding this letter or report, please contact Kathy Fundus, Audit Manager, at 916-414-6031.

Sincerely,



LARRY JENSEN, CIA, CISA, CRMA
Chief Auditor

Enclosure

cc: Mt. San Antonio College:

Doug Jenson, Associate Vice President, Administrative Services
Michael Gregoryk, Vice President, Administrative Services
Abe Ali, Vice President, Human Resources
Richard Lee, Director, Payroll

Los Angeles County Office of Education:

Talina Ornelas, Retirement Systems Coordinator

CalSTRS:

Mike Dutil, CIA, CRMA, Supervising Audit Manager, Employer Audits
Kathy Fundus, Audit Manager, Employer Audits

MT. SAN ANTONIO COLLEGE

TEACHERS' RETIREMENT LAW COMPLIANCE REVIEW DRAFT REPORT

February 21, 2019



Securing the Financial Future and Sustaining the Trust of California's Educators

Reporting Unit: 19630
Project Code: EA18-30

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RESULTS IN BRIEF

Audit Services found the reporting of unused sick leave information to CalSTRS by Mt. San Antonio College (Employer) was not in compliance with the Teachers' Retirement Law (Education Code section 22000 et seq.). A detail of the finding is noted in the Report of Review Findings section of this report. In brief, the Employer incorrectly reported unused basic and excess sick leave days.

BACKGROUND

The Employer was established in 1945, it has emerged as an educational leader in the state of California. It is both an accredited institution and one of the largest and best known community colleges in the country. The Employer serves over 60,000 students annually on a 420-acre campus, located in Walnut, CA. The Employer employs approximately 480 full-time members of CalSTRS and approximately 1,400 adjunct instructors.

The Employer uses the Banner by Ellucian payroll and personnel system as it is fiscally independent from Los Angeles County of Education (LACOE) and processes its payroll in-house. The Employer submits a partial F496 file to LACOE via the Secure Employer Website (SEW) and LACOE takes the file and adds it to their full F496 file for submitting payroll data to CalSTRS.

REVIEW OBJECTIVES AND SCOPE

To protect the integrity of the retirement fund, CalSTRS' Audit Services, under the delegated authority of the Teachers' Retirement Board pursuant to Education Code section 22206, conducted a limited scope review of the Employer's unused sick leave reporting procedures. The purpose of the limited scope review was to determine the Employer's compliance with the Teachers' Retirement Law regarding information reported to CalSTRS. Specifically, the review objectives were:

- To determine whether the Employer correctly reported unused basic sick leave and unused excess sick leave to CalSTRS in compliance with the Teachers' Retirement Law.
- To determine whether additional service credit for unused sick leave was properly granted to members at retirement in compliance with the Teachers' Retirement Law.
- To determine whether the Employer paid to CalSTRS the present value of unused excess sick leave in compliance with the Teachers' Retirement Law.

The review was performed in accordance with standardized school Employer payroll review procedures developed by CalSTRS. Sufficient work was performed and the necessary evidence was gathered to support the conclusions in this report. Specifically, the review reviewed the Employer's records for a sample population of members during specific school years in order to assess the Employer's compliance with the law. Although the conclusions reached through this review were based a funding associated with the sample population during the reviewed school years, the finding

is applicable to all Employer members for whom the misreporting occurred and for the entire period for which the misreporting occurred. The Employer is responsible for identifying and correcting all of its misreporting that is not in compliance with the Teachers' Retirement Law, as identified herein.

This review did not evaluate the effectiveness or efficiency of the Employer's internal controls over its accounting and administrative operations.

REPORT OF REVIEW FINDINGS

Finding 1 – The Employer incorrectly reported unused basic and excess sick leave days.

Discussion:

The Employer incorrectly reported unused basic and excess sick leave days for five sampled retired members during the 2015-16 and 2016-17 school years. Specifically, the Employer under reported unused sick leave days and over reported excess sick leave days.

The Teacher's Retirement Law defines a basic sick leave day as equivalent to one day's paid leave of absence per pay period due to illness or injury. Excess sick leave days are the total number of days the Employer grants the member that exceed the total basic sick leave days. A member can earn up to 12 basic sick leave days per school year. At retirement, the member receives additional service credit for all accumulated unused sick leave days. The Employer is required to notify CalSTRS of the member's accumulated unused sick leave days at retirement, which are converted to additional service credit toward the member's monthly retirement allowance.

- A. Sick Leave from Part-time Assignments: The Employer incorrectly reported unused sick leave days accrued from part-time/intersession assignments. The sampled members accrued ten basic sick leave days per year from their normal full-time assignment, plus sick leave days accrued from their part-time assignments. The Employer can report up to 12 days of basic sick leave days per year by adding the part-time assignment sick leave days with the annual accrual of ten basic sick leave days. The Employer reported three retired members' unused sick leave accrued from their part-time assignments as excess sick leave, and one retired member did not have unused sick leave reported from their part-time assignment. As a result, the Employer under reported the sampled members' unused basic sick leave days and over reported the excess sick leave days to CalSTRS. In addition, due to a system change, the Employer did not maintain detailed sick leave records for the part-time and intersession hours for school years prior to 2008.

The collective bargaining agreement between the Employer and the Faculty Association dated July 1, 2014, through June 30, 2017, states, in part,

Sick leave shall be granted to all unit members who are ten (10), eleven (11), or twelve (12) month contract employees at the rate of one day per month in contract year. A contract unit member shall be granted one day per calendar month, not to exceed twelve (12) days per fiscal year. Unit members earn sick leave during the summer/winter intersession at the rate of one (1) hour earned for each 18 hours of teaching beyond contract and/or each LHE assigned.

- B. Basic Sick Leave Days: The Employer incorrectly reported approximately 217 instead of 228 unused basic sick leave days for a sampled member on August 20, 2018, via the *Employment Data or Sick Leave Correction* form (SR559). The Employer indicated the miscalculation was an

error by staff. As a result, the Employer under reported approximately 11 unused basic sick leave days.

- C. Excess Sick Leave Days: The Employer converted vacation hours to excess sick leave days for one retired member. The Employer provided the member with 24 days of vacation each year and can carry up to a maximum total of 384 vacation hours (48 days). The Employer carried over approximately 35 vacation days over the maximum (48 days) and erroneously reported the vacation overage as excess sick leave days. Vacation days are not excess sick leave days, and thus not reportable to CalSTRS. As a result, the Employer over reported the retired member's excess sick leave days by approximately 35 days.

The member's employment contract signed on December 9, 2015, and effective July 1, 2016, through June 30, 2018, states, in part,

Employee is entitled to accrue twenty-four (24) working days of vacation each year in accordance with District Board Policy. Vacation days are exclusive of holidays otherwise granted to twelve (12) month regular administrative employees of the District. Employee is entitled to annually accrue twelve (12) days of paid sick leave for illness or injury. Employee is eligible for any leaves authorized by law or provided by Board Policy.

Additionally, the "meet and confer" for Compensation and Benefits for Management employees for 2000-2002, dated May 24, 2000, and approved by the Employer's Board on June 28, 2000, states, in part,

Excessive vacation days converted to sick leave.

Also, the Employer's Board Policy 7340, titled "Leaves," approved August 25, 2004, states, in part,

Administrators and managers shall not accumulate beyond 48 days or 384 hours of vacation leave. Employees shall be permitted to take vacation in a timely manner to avoid accumulation of excess vacation.

Furthermore, the Employer's converting of vacation days to excess sick leave days doesn't meet the definition of excess sick leave days per the Teachers' Retirement Law. The incorrect reporting of unused sick leave days will overstate the service credit, causing the member's monthly Defined Benefit (DB) allowance to be overstated.

Based on the information obtained during the review, this is considered a systemic issue; however, whether there is in fact a systemic issue cannot be confirmed by CalSTRS without a review of its records and additional reporting by the Employer.

Criteria:

Relevant law sections are as follows:

Educational Code sections: 22106.2, 22119.2, 22119.3, 22154, 22156.1, 22170.5, 22717, 22718 and 22724.

Effect:

The Employer under reported approximately 151.93 unused basic sick leave days and over reported approximately 160.59 unused excess sick leave days for the five sampled retired members. Please refer to the Confidential Appendix for details.

Corrective Action Needed:

- The Employer must submit the *Employment Termination or Sick Leave Data Correction* (SR0559) to correct the unused basic and excess sick leave days reported for the retired members identified in the Confidential Appendix. Please complete and return the correction forms directly to SR Benefit Adjustment Team/Audits at fax number 916-414-5261 or email to SRBenefitAdjustmentTeam@CalSTRS.com. The corrections should be made within 60 days of the final review report date.
- Concurrent with the release of the audit report, CalSTRS will notify the impacted members identified in the Confidential Appendix of this required corrective action and the estimated impact on the members' monthly retirement allowance.
- The Employer should maintain historical sick leave records and accurately track the accumulated unused basic and excess sick leave days.

Finding 1.A:

- The Employer should initiate a review to determine all the retired certificated management who retired after the 1986 school year, who reported sick leave days accrued from part-time / intersession assignments reported to CalSTRS. If any additional members were identified, the Employer should:
 - Create a list containing the following information:
 - First and Last name
 - CID
 - Corrected basic unused sick leave days
 - Corrected excess unused sick leave days
 - Corrected base days
 - (Corrected one-year final compensation or final compensation reduction year if applicable) With the submission of the list, please include the Employer contact person's e-mail address and phone number.

- Forward this list to SRBenefitAdjustmentTeam@CalSTRS.com within 60 days of the review.

Finding 1.C:

- The Employer should initiate a review to determine all the retired certificated management who retired after the 2001 school year, whose unauthorized excess sick leave days came from vacation hours overage; thus, was incorrectly reported to CalSTRS. If any additional members were identified, the Employer should:
 - Create a list containing the following information:
 - First and Last name
 - CID
 - Corrected basic unused sick leave days
 - Corrected excess unused sick leave days
 - Corrected base days
 - (Corrected one-year final compensation or final compensation reduction year if applicable) With the submission of the list, please include the Employer contact person's e-mail address and phone number.
 - Forward this list to SRBenefitAdjustmentTeam@CalSTRS.com within 60 days of the review.

CONCLUSION

Audit Services limited this review to the areas specified in the objectives and scope section of this report. Audit Services limited the test of transactions to employee samples selected from the Employer's personnel and payroll records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the Teachers' Retirement Law except as noted in this report. The finding and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. Audit Services has not expressed an opinion related to the internal controls over the Employer's accounting and administrative operations.

Respectfully submitted,

LARRY JENSEN, CIA, CISA, CRMA
Chief Auditor

Audit Services:

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