Background

- Audits of school districts in 1990s
- Authorized by Education Code
- Accurate retirement allowance
- Financial reporting
- Employer training
Audit Objectives

• Integrity CalSTRS Defined Benefit Plan
• Audit district’s compensation reporting:
  • Creditable compensation complies with TRL
  • Information reported is supported by payroll and personnel records
What’s New

- Limited-scope audits
- Correct reporting errors before retirement
  - Accurate retirement estimates
- Less disruptive audits
- Targeted training
- Risk assessment data
How are school districts selected for audit?

Goal for 2019

- 84 audits
  - 34 full-scope
  - 50 limited-scope
How are school districts selected to be audited

Annual Risk Assessment

• Statistical analysis of various risk factors
• Determine high, medium or low risk districts
• Selection based on risk assessment score
Risk factor scores applied to district

![Bar chart showing number of employers for each risk factor](image-url)
Districts within each risk rank based on total risk score

<table>
<thead>
<tr>
<th>School/Employer</th>
<th>High-Risk</th>
<th>Medium-Risk</th>
<th>Low-Risk</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community College Districts</td>
<td>55</td>
<td>16</td>
<td>1</td>
<td>72</td>
</tr>
<tr>
<td>K-12 School Districts</td>
<td>277</td>
<td>376</td>
<td>283</td>
<td>936</td>
</tr>
<tr>
<td>K-12 Charter Schools</td>
<td>14</td>
<td>303</td>
<td>336</td>
<td>653</td>
</tr>
<tr>
<td>State Agencies (Depts. of Ed, Corrections, and Commissions)</td>
<td>0</td>
<td>2</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Regional Occupational Centers</td>
<td>0</td>
<td>12</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>County Superintendents</td>
<td>22</td>
<td>26</td>
<td>6</td>
<td>54</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>368</strong></td>
<td><strong>735</strong></td>
<td><strong>646</strong></td>
<td><strong>1749</strong></td>
</tr>
</tbody>
</table>
Limited-scope Audits: Districts are Audited Based on Selected Risk Scores

50 Limited-scope Reviews:

- Special Compensation Reviews
  - High Special Compensation
  - Employers with One-time Payments; and
  - PEPRA members with high special compensation.

- Unused Sick Leave Reviews
  - Retirees with Excess Sick Leave Days, and
  - Retirees with Sick Leave Exceeding Possible Accumulated Leave Earned.
Scope of the Audit

- Two-year time frame
- Sample of employee transactions
- Full-scope audit: on-site for five days
- Limited-scope audit: May be performed as a desk audit
Three Types of Audit Findings

1. Unused Sick Leave
2. Postretirement Earnings
3. Compensation
Audited Employers with Common Findings

July 2015 - December 2018

- 2015-16:
  - Unused Sick Leave: 18
  - Earnings: 20
  - Post-Retirement Earnings: 12
  - No Finding Audits: 12

- 2016-17:
  - Unused Sick Leave: 26
  - Earnings: 30
  - Post-Retirement Earnings: 9
  - No Finding Audits: 9

- Jul - Dec 2017:
  - Unused Sick Leave: 16
  - Earnings: 19
  - Post-Retirement Earnings: 13
  - No Finding Audits: 3

- 2018:
  - Unused Sick Leave: 29
  - Earnings: 58
  - Post-Retirement Earnings: 23
  - No Finding Audits: 13
Employers with Systemic Findings

<table>
<thead>
<tr>
<th>Year</th>
<th>Employers Audited</th>
<th>Employers with Systemic Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>45</td>
<td>18</td>
</tr>
<tr>
<td>2016-17</td>
<td>60</td>
<td>29</td>
</tr>
<tr>
<td>Jul-Dec 2017</td>
<td>26</td>
<td>18</td>
</tr>
<tr>
<td>2018</td>
<td>80</td>
<td>52</td>
</tr>
</tbody>
</table>
What’s the Benefit

- Fewer reporting errors
- Errors corrected before retirement
- Accurate retirement estimates
- Accurate retirement calculations
- Fewer adjustments going back multiple years
Questions?

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