

Employer Information Circular

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Common Employer Audit Findings

The purpose of this circular is to inform County Offices of Education, School Districts, Community Colleges and Charter Schools of common employer audit findings and to provide guidance on preventive actions to take to avoid these findings in the future.

Below are the top three common audit findings identified by CalSTRS Audit Services as of September 1, 2010. Please note the findings are not in any order of importance.

Finding Type 1 – A member is incorrectly reported as a nonmember.

Discussion:

One of the findings is that a member is incorrectly reported as a nonmember. This occurs most often when a member works part-time for more than one employer. As a result, the member does not receive service credit for performing creditable service that is reported as nonmember. When a member is incorrectly reported as a nonmember, the line must be reversed and re-reported as Member Code 1 with the submission of both employer and member contributions.

Resources available to you:

- Verify membership status using REAP or Match File in the Secure Employer Web site (SEW) prior to submitting data for a new employee.
- Relevant Education Code sections 22119.5, 22146, 22500-22504, 22901, 22905, 23000

Finding Type 2 – Incorrectly reported creditable earnings to the Defined Benefit Program (DB) rather than to the Defined Benefit Supplemental Program (DBS).

Discussion:

Another finding is that special compensation such as retirement incentives and retention bonuses are being reported to members' Defined Benefit accounts rather than the Defined Benefit Supplement accounts. As a result, a retired member will be overpaid service retirement benefit payments from the retirement date to the date the corrections are made by the employer. In addition, their DBS benefit will be underpaid until the corrections are applied. The incorrect lines must be reversed and re-reported using Assignment Code 71.

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Resources available to you:

- Contact your Member Account Services representative to verify if creditable service earnings are considered special compensation creditable to DBS only.
- Refer to Employer Information Circular Volume 23 Issue 8 (July 31, 2007) for further clarification.
- Relevant Education Code sections 22115(a), 22119.2, 22905(b)

Finding Type 3 – Incorrectly reported sick leave data on the *Express Benefit Report (Unused Sick Leave) SR0554E form.*

Discussion:

Another common audit finding is that sick leave data is incorrectly reported. This occurs in one of three ways: the number of accumulated unused regular sick leave days is incorrect, the number of contract base days is incorrect, or unused excess sick leave days are not reported. As a result, the member does not receive the correct amount of service credit for accumulated and unused leave. The *Express Benefit Report (Unused Sick Leave) (SR0554E)* form is due to CalSTRS within 30 days following the effective date of the member's service retirement. To correct inaccurate reporting of sick leave data use the *Employment Termination or Sick Leave Data Correction (SR0559)* form.

Resources available to you:

- Contact CalSTRS Service Retirement at (916) 414-5918 or (916) 414-5960 for assistance.
- Refer to Employer Information Circular Volume 19 Issue 6 (May 22, 2003) for further clarification.
- Relevant Education Code sections 22170.5, 22717

If you have any questions regarding this circular, please contact your CalSTRS Member Account Services Representative.