Date: May 22, 2015

To: Human Resources Officers
    Payroll Managers

From: Evelyn Nazario
      Cynthia Sanford, CPA
      Associate Vice Chancellor
      Office of Audit and Advisory Services
      Human Resources Management & CO HR Services

Subject: California State Auditor Erroneous Leave Audit Report 2012-603: Implementation of Validated Results

Colleagues:

We are writing to inform you of the details regarding the California State Auditor’s (CSA) recent audit report titled “High Risk Update: State Agencies Credited Their Employees With Millions of Dollars’ Worth of Unearned Leave.” As a result of the audit report, the CSU was required to identify individuals who may have had leave benefits that were credited erroneously between January 2008 and December 2012. In our effort to assist campuses with the identification, communication, and adjustment efforts, we have provided campuses with detailed instructions as well as the appropriate template forms. Campuses are encouraged to review the Technical Letter and follow the instructions for campus action.

Technical letter HR/Leaves 2015-01 is attached for your reference.

Please contact me if you have any questions or concerns.

Warm regards,

Evelyn and Cindy
To: Human Resources Officers
Payroll Managers

From: Evelyn Nazario
Associate Vice Chancellor
Human Resources Management & CO HR Services

SUBJECT: California State Auditor Erroneous Leave Audit Report 2012-603: Implementation of Validated Results

Summary:
Legislation that became effective in January 2005 authorized the California State Auditor (CSA) to develop a risk assessment process for the State and to issue reports focused on high-risk areas. One of the reports that affected the California State University (CSU) was Report 2012-603, “High Risk Update: State Agencies Credited Their Employees with Millions of Dollars’ Worth of Unearned Leave.” The report concluded that the CSU was one of several agencies that credited employees with unearned leave.

Action Item(s):
Implement validated results.

Affected Campuses:
Campuses with leave adjustment and/or notification actions include the Dominguez Hills, Humboldt, Maritime Academy, San Diego and San Marcos campuses.

Details:
The CSA’s audit encompassed individuals whose leave was tracked by the California Leave Accounting System (CLAS) for the period January 2008 through December 2012. The CSA’s report identified various leave benefit types that may have been credited erroneously. Leave benefit types included vacation, sick leave, holiday credit, personal leave, and leave related to the furlough program (the CSU furlough program was implemented for fiscal year 2009/2010.) The CSA report noted that employees at the following campuses were credited with unearned leave: Bakersfield, Channel Islands, Chico, Dominguez Hills, East Bay, Fresno, Humboldt, Los Angeles, California Maritime Academy, Monterey Bay, Sacramento, San Bernardino, San Diego, San Marcos, and Sonoma.

Systemwide Human Resources worked with the Office of Audit and Advisory Services and the Office of General Counsel to identify and establish parameters under which affected campuses would perform validation activities. The plan of approach to correct validated errors was based upon guiding principles that encompassed timing and accessibility of data and establishing degrees of reasonableness as it pertained to: timelines (statute of limitations), employee status, distinguishing appropriate processes between accrual vs.
overpayments based upon employee status, establishing diminutive values, establishing cost-benefit determinations for recoupment efforts and other validation tool considerations.

Campuses were asked to validate the information provided on the CSA’s “Erroneous Leave” report to ascertain the number of individuals and the amount of erroneous leave hours that would require resolution. The campus validation process was completed by all fifteen campuses in March 2015. Of approximately 800 individuals noted on the CSA’s Erroneous Leave report, validation results identified 35 individuals at five campuses that require further action to adjust leave balances and/or provide notice to CalPERS of erroneously reported sick leave.

🔥 Required Campus Actions:

Once affected campuses have appropriately communicated with affected individuals, implementation actions will incorporate the following considerations:

➢ Leave Balance Adjustments:
- Affected employees must receive a minimum thirty (30) day advance written notice that the specified leave balance requires correction. In most instances, the correction has been validated to be a leave reduction adjustment, but in a few cases, the correction has been validated as an adjustment to increase (e.g., credit) the leave balance.
- Leave reduction adjustments should not adversely effect, (e.g., cause a deficit) to an employee who may need their existing leave balance for current use. In this situation, the campus can extend the timeline over which the leave reduction adjustment can be made to ensure that when adjusted, it will not create a deficit balance for the employee. The amount of the reduction adjustment and the pay period(s) over which the adjustment(s) will be made must be clearly identified.
- If an employee has sufficient leave to offset the leave reduction adjustment with no adverse effect, the adjustment will be processed in the subsequent pay period following expiration of the thirty (30) day notification.
- The campus must receive written acknowledgement from the affected employee before corrections to the leave balance(s) can be processed. If an employee does not respond after three documented attempts from the initial thirty (30) day advance notice, the campus may proceed with the leave balance correction.

➢ Notice to CalPERS of Sick Leave Balance Corrections:
- If a campus erroneously credited sick leave hours to an employee upon retirement, and reported the erroneous hours to CalPERS, the campus will inform systemwide Human Resources Management – Benefits Unit, of the error via written notification. The Benefits Unit will be responsible for notifying CalPERS. Correction or change to a retiree’s information as a result of this notification remains under CalPERS’ jurisdiction. Campuses are responsible for sending a copy of the notice to the last known address of the retiree.

➢ Completion of Campus Communication Efforts:
- When communication efforts have been accomplished for affected campus employees, please send an acknowledgement to: thines@calstate.edu and csanford@calstate.edu.
Notification Samples:
The following attachments are provided to the campuses as sample communications to affected employees and to Systemwide Benefits for CalPERS notifications:

Attachment A: Notice to Employee: The California State Auditor’s California Leave Accounting System (CLAS) Audit
Attachment B: Notice From Campus to Systemwide Benefits: California State Auditor’s California Leave Accounting System (CLAS) Audit – Sick Leave Balance Correction For Affected Retiree

Questions regarding this coded memo communication should be directed to Systemwide Human Resources at (562) 951-4411. This document is available on Human Resources Management’s website at http://www.calstate.edu/HRAdm/memos.shtml.

EN/CS/dth
EMPLOYEE NOTICE

DATE: MM/DD/YYYY

TO: Employee name

SUBJECT: The California State Auditor’s California Leave Accounting System (CLAS) Audit

The California State Auditor (CSA) issued Report 2012-603, “High Risk Update: State Agencies Credited Their Employees with Millions of Dollars’ Worth of Unearned Leave,” where the California State University was noted as one of several agencies that credited employees with unearned leave.

(Campus name) was required to review the information provided by the CSA, research the hours in question, and validate the number of erroneous leave hours, if any, that would require correction for the individuals listed on the report. This process is now complete and our campus has validated that the following adjustment to your leave balance(s) is required:

<table>
<thead>
<tr>
<th>LEAVE TYPE</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sick Leave</td>
<td>Reduce/increase leave balance by XX hours</td>
</tr>
<tr>
<td>Vacation</td>
<td>Reduce/increase leave balance by XX hours</td>
</tr>
</tbody>
</table>

CAMPUS RESPONSIBILITY:
Campuses are responsible for implementing this action in accordance with the following guidelines:

- **Leave Balance Adjustments:**
  - Affected employees must receive a minimum thirty (30) day advance written notice that the specified leave balance requires correction. In most instances, the correction has been validated to be a leave reduction adjustment, but in a few cases, the correction has been validated as an adjustment to increase (e.g., credit) the leave balance.
  - Leave reduction adjustments should not adversely affect (e.g., cause a deficit to) an employee who may need their existing leave balance for current use. In this situation, the campus can extend the timeline over which the leave reduction adjustments can be made to ensure that when adjusted, it will not create a deficit balance for the employee. The amount of the reduction adjustment and the pay period(s) over which the adjustment(s) will be made must be clearly identified.
  - If an employee has sufficient leave to offset the leave reduction adjustment with no adverse effect, the adjustment will be processed in the subsequent pay period following expiration of the thirty (30) day notification.
  - The campus must receive written acknowledgement from the affected employee before corrections to the leave balance(s) can be processed. If an employee does not respond after three documented attempts from the initial thirty (30) day advance notice, the campus may proceed with the leave balance correction.

EMPLOYEE RESPONSIBILITY:
Please acknowledge receipt of this notice and the pay period(s) that the leave adjustment will be posted in the campus leave accounting system below. Unless otherwise agreed, the leave balance adjustment will be posted in the pay period following thirty (30) days from the date of this notice. Documentation of your validation is available for review.

Adjustment Pay Period: _______________________________

Employee Acknowledgement ___________________________ Date: __________________
   (signature)

Campus Acknowledgement: _____________________________ Date: __________________
   (signature)
SAMPLE NOTICE FROM CAMPUS TO SYSTEMWIDE BENEFITS

Date: MM/DD/YYYY

From: (Campus Contact)

To: Systemwide Human Resources Management – Benefits Unit

Subject: California State Auditor’s California Leave Accounting System (CLAS) Audit – Sick Leave Balance Correction For Affected Retiree

In response to Report 2012-603, issued by the California State Auditor (CSA), "High Risk Update: State Agencies Credited Their Employees with Millions of Dollars’ Worth of Unearned Leave," (campus name) was required to review and validate information provided by the CSA. The validation is now complete and an adjustment of XX hours of sick leave is being reported at this time for the retiree noted below:

<table>
<thead>
<tr>
<th>Retiree Name</th>
<th>CalPERS CID #</th>
<th>Last 4 digits of SSN</th>
<th>CSU Retirement Effective Date</th>
<th>Erroneous Sick Leave Balance Reported at Retirement</th>
<th>Number of Erroneous Hours Over/Under Reported</th>
<th>Corrected Sick Leave Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last, First, M.I.</td>
<td>XXXXXXXXXX</td>
<td>XXX</td>
<td>MM/DD/YYYY</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>

Please contact me via (e-mail address) or (XXX) – XXX-XXXX if you have any questions. By copy of this notice, the retiree is advised that s/he may contact CalPERS Member Services by calling (888) 225-7377 should they have any questions in this regard. Thank you.

cc: Retiree Name