

# **Office of Audit Services**



## **Public Agency Review**

### **Riverside Unified School District**

**CalPERS ID: 2014820387  
Job Number: SP15-033**

**June 2016**



California Public Employees' Retirement System  
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June 30, 2016

CalPERS ID: 2014820387  
Job Number: SP15-033

Sandra Meekins, Director of Business Services  
Riverside Unified School District  
6050 Industrial Ave.  
Riverside, CA 92504

Dear Ms. Meekins:

Enclosed is our final report on the results of the public agency review completed for the Riverside Unified School District (Agency). Your Agency's written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 1. We appreciate the additional information you provided in your response. However, after consideration of this information, our recommendation remains as stated 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 Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief  
Office of Audit Services

Enclosure

cc: Board of Education, Riverside USD  
Riverside County Board of Education  
Risk and Audit Committee Members, CalPERS  
Matthew G. Jacobs, General Counsel, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Renee Ostrander, Chief, EAMD, CalPERS  
Carene Carolan, Chief, MAMD, CalPERS

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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## TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results .....	3
1: Pay Schedule .....	3
2: Special Compensation .....	5
3: Contributions .....	7
Observation: Census Data Reporting .....	8
Conclusion .....	9
Objectives .....	Appendix A
Agency's Written Response .....	Appendix B

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Riverside Unified School District (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings and observations during the review. Details are noted in the Results section beginning on page three of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Special compensation was not reported in accordance with the Government Code and CCR requirements.
- Member contributions were incorrectly reported.
- Observation: Agency records did not agree with my|CalPERS information.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

## SCOPE

The Riverside County Schools, which includes Riverside Unified School District, contracted with CalPERS effective June 30, 1949 to provide retirement benefits for miscellaneous members. Individual school districts within the Riverside County Schools input members' payroll into the Riverside County Schools payroll system. The Riverside County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the Riverside County Schools' contract with CalPERS, the Agency agreed to be bound by the terms of the contract and the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from

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## **RIVERSIDE UNIFIED SCHOOL DISTRICT**

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July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.

***Condition:***

The Agency did not have a pay schedule that was duly approved and adopted by the Agency's governing body in accordance with the requirements of applicable meeting laws. In addition, the salary schedule provided did not include the payrate and position title for the Interim Superintendent.

Only compensation earnable as defined under Government Code Section 20636.1 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636.1 (b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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***Recommendation:***

The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20636.1

CCR: § 570.5

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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**2:** The Agency did not report special compensation in accordance with the Government Code and CCR.

***Condition:***

- A. The Agency did not report uniforms in accordance with the Government Code and CCR. Specifically, the Agency did not report the monetary value of uniforms provided to classic employees working in the janitor and maintenance department during Fiscal Year 2013-14. Government Code Section 20636.1 and CCR Section 571 require that the monetary value for the purchase, rental, and/or maintenance of required clothing be reported as special compensation for classic employees.
- B. The Agency's written labor policy did not include the conditions for payment of the uniforms. CCR Section 571(b) requires the written labor policy or agreement contain the conditions for payment of, including, but not limited to, eligibility for, and amount of the special compensation.
- C. The Agency incorrectly reported monthly Educational Incentive Pay of \$64.58 for the Interim Chief Business Officer in the pay period ended May 31, 2014. Although Educational Incentive Pay is defined as special compensation in CCR Section 571(a), it did not meet two of the requirements of CCR Section 571(b). Specifically, the management Memorandum of Understanding (MOU) referred to another document rather than disclosing the item of special compensation. Additionally, the Education Incentive was not available to all members in the group or class. Only members who promoted from the classified bargaining unit and already received the professional growth stipend were eligible for Educational Incentive Pay.

Reportable special compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, historically consistent with prior payments for the job classification, and must not refer to another document in lieu of disclosing the item of special compensation.

***Recommendation:***

The Agency should report the monetary value for the purchase, rental, and/or maintenance of required clothing for classic members.



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## RIVERSIDE UNIFIED SCHOOL DISTRICT

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The Agency should ensure the conditions for payment of employer-provided uniforms is contained in a written labor policy or agreement.

The Agency should not report Educational Incentive Pay unless it is included in a written labor policy that meets all of the requirements of CCR Section 571(b).

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20636.1  
CCR: § 571

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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**3:** The Agency incorrectly reported member contributions.

***Condition:***

The Agency incorrectly paid and reported member contributions as Employer Paid Member Contributions (EPMC) for the Interim Superintendent in the pay period ended May 31, 2014. Specifically, the Agency paid seven percent of the member's normal contributions. However, the Agency required employees in the closest related group or class to pay their own member contributions. As a result, the Agency should not have paid and reported EPMC for the Interim Superintendent. Government Code Section 20691 limits the payment of member contributions to the amount that the Board determines is payable to similarly situated members in the closest group or class if an individual is not part of a group or class.

***Recommendation:***

The Agency should ensure it correctly reports member contributions.

The Agency should work with EAMD to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20691

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## RIVERSIDE UNIFIED SCHOOL DISTRICT

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**Observation:** The Agency's records do not agree with my|CalPERS information.

**Condition:**

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: *Financial Reporting for Pension Plans*. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

OAS identified 10 employees who had hire dates that were different from the hire dates in my|CalPERS. Additionally, the Agency's records indicate seven employees as separated; however, my|CalPERS records show these employees as active. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract 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 Agency 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, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

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BELIZ CHAPPUIE, CPA, MBA  
Chief, Office of Audit Services

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Chris Wall, Senior Manager  
Jose Martinez, Staff Management Auditor

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**RIVERSIDE UNIFIED SCHOOL DISTRICT**

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# **APPENDIX A**

## **OBJECTIVES**

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# RIVERSIDE UNIFIED SCHOOL DISTRICT

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## OBJECTIVES

The objectives of this review were to determine whether the Agency complied with:

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPPRA, and Title 2 of the CCR.
- Reporting procedures prescribed in the Agency's retirement contract with CalPERS.

## METHODOLOGY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
  - Provisions of the contract and contract amendments between the Agency and CalPERS
  - Correspondence files maintained at CalPERS
  - Agency Board minutes and Agency Board resolutions
  - Agency written labor policies and agreements
  - Agency salary, wage, and benefit agreements including applicable resolutions
  - Agency personnel records and employee time records
  - Agency payroll information including Contribution Detail Transaction History reports
  - Documents related to employee payrate, special compensation, and benefits
  - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency 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 Agency's governing body in accordance with requirements of applicable public meetings laws.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

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**RIVERSIDE UNIFIED SCHOOL DISTRICT**

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# **APPENDIX B**

## **AGENCY'S WRITTEN RESPONSE**

Note: The names of individuals mentioned in the Agency's response were intentionally omitted from this appendix.



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June 2, 2016

Via U.S. 1<sup>st</sup> Class Mail & Facsimile (916) 795-7836

Beliz Chappuie, Chief  
Office of Audit Services  
California Public Employees' Retirement System  
P.O. Box 942701  
Sacramento, CA 94229-2701

Re: CalPERS ID: 2014820387  
Job Number: SP15-033  
Draft Audit Report

Dear Ms. Chappuie:

This law firm represents the Riverside Unified School District ("District" or "RUSD"). This letter provides the District's written response to the draft audit report dated May 5, 2016 ("Draft Audit"), issued by California Public Employees' Retirement System Office of Audit Services ("CalPERS"). CalPERS representative, Jose Martinez, graciously permitted the District an extension of time to respond until June 2, 2016. We appreciate the invitation to address the findings set forth in the Draft Audit, and hope the comments provided herein will receive serious consideration before any final audit report is issued by your office.

The scope of the Draft Audit was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014 (the "Audit Period").

**Finding 1: "The District did not have a pay schedule that met all of the Government Code and CCR requirements."**

To be more specific, the Draft Audit stated that the District did not meet the pay schedule requirements of CCR § 570.5 because:

- (1) the "pay schedule" was not duly approved and adopted by the District's governing body in accordance with the requirements of applicable meeting laws and



(2) the "salary schedule" provided did not include the payrate and position title for the Interim Superintendent.

CalPERS' Recommendation:

"The Agency should ensure its pay schedule meets all of the Government Code and CCR requirements. The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160."

District Response:

The District believes that it substantially complied with all requirements of the Government Code and California Code of Regulations pertaining to publicly available pay schedules<sup>1</sup> for the classified members covered by Collective Bargaining Agreement ("CBA") and for management<sup>2</sup> members covered by other contractual agreements like Memorandums of Understanding and Employment Agreements, like the Interim Superintendent.

The District's January 1, 2014 salary schedules pertaining to classified members covered by the CBA were effectively duly approved and adopted by the District's governing body by virtue of the following facts:

(1) at the November 18, 2013 open session the Board approved RUSD and California School Employees Association, Chapter 506 ("CSEA") Tentative Agreement ("TA") amending CBA Article VII, Sections 7.0, 7.8 and 7.9. The TA, which is attached to the Board Meeting Agenda as Attachment 1 and was provided to the Board prior to the meeting, indicates that all employees are receiving a salary increase of 6% and a salary increase of 6.5% in lieu of District paid CalPERS member contributions.

(2) the TA was also given to the Riverside County Office of Education ("RCOE") ten days prior to the date the governing Board took action (Gov. Code § 3547.5).

(3) the Disclosure of Collective Bargaining Agreement (the "Disclosure") was also given to the Board prior to the meeting, is attached to the Board Meeting Agenda and was provided to the RCOE ten days prior to the date the governing Board took action (Gov. Code § 3547.5). **The Disclosure provides that all 732.3 employees are getting a 6% salary increase and a 6.5% increase in lieu of**

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<sup>1</sup> The District uses the term "salary schedules" rather than "pay schedules".

<sup>2</sup> This includes management employees, confidential employees and supervisory employees.

**District paid member contributions effective January 1, 2014. The Disclosure also provides that the TA is not adding any steps, columns, or ranges.**

(4) After Board approval of the across the board salary increase on November 18, 2013, the TA and the salary schedules were posted on RUSD's internet website and immediately accessible for public review at RUSD upon request.

As for the "Salary Schedule For Classified Employees" posted on the website, although it identifies salary ranges and time base, it does not include every position title / classification. However, the Appendix to the BUA, which is also on the website (and immediately accessible by request at RUSD), assigns each classification to a salary range. By a simple cross-reference, every salary/pay rate is easily discernible.

The District's January 1, 2014 salary schedules pertaining to management members were effectively approved and adopted by the District's governing body on December 20, 2013. The Board Meeting Agenda reflects that the Board approved a 6% increase to all existing management, confidential and supervisory salary schedules effective January 1, 2014. In addition, it reflects that all confidential and supervisory salary schedules will be increased by an additional 6.5% in lieu of District paid member contributions effective January 1, 2014.

The "Certificated/Classified Management & Confidential Secretaries Salary Schedule" ("Management Salary Schedule" as titled on the website) identifies the position title for every employee position, shows the payrate for each identified position and the time base. These schedules have been posted on the website year after year and are immediately accessible for public review at RUSD upon request.

Regarding CalPERS' observation that [REDACTED], a past Interim Superintendent, is not listed on the Management Salary Schedule, the District contends that his Employment Agreement meets substantially all the requirements of CCR § 570.5. The Employment Agreement was duly approved and adopted by RUSD's governing body as reflected in Board minutes dated October 8, 2013, it identifies his position, reflects his payrate in Article 4, indicates the time base, identifies the effective date and is immediately accessible and available for public review at RUSD.

All this being said, going forward and starting with a pay increase slated to take effect July 1, 2016, the District intends to modify its Salary Schedule For Classified Employees and/or the Appendix so that every position title/classification is identifiable and intends to present the Management Salary Schedule and Salary Schedule For Classified Employees to the Board for approval at the June 20, 2016 meeting.

**Finding 2: The District did not report special compensation (uniforms) in accordance with the Government Code and CCR.**

Specifically, the Audit Report found that the monetary value of uniforms provided to classic employees working in the janitorial and maintenance departments during the Fiscal Year 2013-2014 was reportable “special compensation” which the District failed to report. (CCR § 571(a) and (b)). In addition, CalPERS found that the District’s written labor policy did not “contain the conditions for payment of, including, but not limited to, eligibility for, and amount of the special compensation.”

**CalPERS’ Recommendation:**

“The District should report the monetary value for the purchase, rental, and/or maintenance of required clothing for classic members. The District should ensure the conditions for payment of employer-provided uniforms is contained in a written labor policy or agreement... The District should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.”

**District Response:**

The District will correctly report the monetary value of required clothing for classic members for the Fiscal Year 2013-2014. Going forward, the District will seek to develop a written labor policy that contains conditions for payment of the employer-provided uniforms, including the eligibility for, and amount of, the special compensation. The District will work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

**Finding 2.5: The District did not report special compensation (Educational Incentive Pay) in accordance with the Government Code and CCR.**

The Draft Audit states that, for the pay period ended May 31, 2014, the District incorrectly reported monthly Educational Incentive Pay (“EIP”) of \$64.58 for ██████████ the Interim Chief Business Officer. Specifically, CalPERS contends that ██████████ EIP pay was not “special compensation” as defined in CCR § 571 because:

- (1) the management MOU referred to another document rather than disclosing the item of special compensation; and,
- (2) the EIP was not available to all members in the group or class, only members who promoted from the classified bargaining unit and already received the professional growth stipend were eligible.

CalPERS' Recommendation:

“The Agency should not report Educational Incentive Pay unless it is included in a written labor policy that meets all of the requirements of CCR § 571(b). The Agency should work with CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.”

District Response:

Going forward, the District will seek to modify its Management MOU so that it either includes a professional growth stipend that meets all of the requirements of CCR § 571(b), or, alternatively, the professional growth stipend is eliminated altogether.

The District will work with CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to the accounts of active managers who received Educational Incentive Pay (“EIP”) that was reported as special compensation during the Audit Period.

We assume, for purposes of this response, that the corrective reporting, identification and elimination of the professional growth stipend is limited to members who received such pay during the Audit Period. If we have misunderstood the intended corrective action, and it was intended that the District report, identify and eliminate the professional growth stipend for all active and retired management going back in excess of fifteen years, the District would have significant concerns regarding the statute of limitations, estoppel, waiver, laches and the vested right doctrine, among other legal principles. If the scope of corrective action was intended to cover these managers going back in excess of fifteen years, we would request the opportunity to submit a supplemental response, to address these legal and equitable defenses in greater detail and review the District’s records. We also would like to reserve the right to supplement this response with any additional relevant information that becomes available.

**Finding 3: The District incorrectly paid and reported member contributions as Employer Paid Member Contributions (EPMC) for the Interim Superintendent, [REDACTED]**

CalPERS found that in the pay period ending May 31, 2014, the District paid seven percent of [REDACTED] normal CalPERS' contributions when it did not pay any contributions on behalf of similarly situated employees in the closest related group or class. CalPERS claims this violates Gov. Code § 20691.

CalPERS' Recommendation:

“The District should ensure it correctly reports member contributions. The District should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.”

Beliz Chappuie  
June 2, 2016  
Page 6

District Response:

The District will correct the misreported member contributions of [REDACTED] for the pay period ending May 31, 2014. The District will work with CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to [REDACTED] member account pursuant to Government Code Section 20160.

Thank you for the opportunity to comment on the Draft Audit Report. We respectfully request that you provide the District sufficient time to make the agreed upon corrections and inform us if any of our assumptions are incorrect. Please do not hesitate to contact us if you have any questions or wish to discuss this matter further.

Sincerely,

FAGEN FRIEDMAN & FULFROST, LLP

[REDACTED]

Christopher D. Keeler

Original signed by  
Christopher D.  
Keeler

[REDACTED]

Lynn M. Beekman

Original signed by Lynn  
M. Beekman

LMB:lmb

cc: Sandra Meekins

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