

# **Office of Audit Services**



## **Public Agency Review**

# **Anaheim Union High School District**

**CalPERS ID: 3612527881  
Job Number: SP15-037**

**April 2016**



California Public Employees' Retirement System  
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April 28, 2016

CalPERS ID: 3612527881  
Job Number: SP15-037

Bruce Saltz, Controller  
Anaheim Union High School District  
501 N. Crescent Way  
Anaheim, CA 92801

Dear Mr. Saltz:

Enclosed is our final report on the results of the public agency review completed for the Anaheim Union High School District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted 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 Trustees, Orange County Department of Education  
Board of Trustees, Anaheim Union High School District  
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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# ANAHEIM UNION HIGH SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Anaheim Union High 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.
- 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 Orange County Schools, which includes the Agency, contracted with CalPERS effective December 8, 1948 to provide retirement benefits for miscellaneous members. Individual school districts, such as the Agency, input members' payroll into the Orange County School's payroll system. The Orange County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the Agency's 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 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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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

**1:** The Agency's pay schedules did not meet all of the Government Code and CCR requirements.

***Condition:***

The Agency's pay schedule effective in Fiscal Year 2013-14 did not meet all the requirements of the Government Code and CCR. Specifically, the Agency did not maintain one pay schedule that listed all position titles for every employee position. In addition, the Agency's pay schedule did not include the Assistant Superintendent position. Furthermore, the pay schedule did not indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually.

Only compensation earnable as defined under Government Code Section 20636 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.

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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(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.

***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  
CCR: § 570.5

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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 the monetary value for the purchase, rental, and/or maintenance of uniforms for classic employees who are required to wear uniforms. For example, the Agency provided a warehouse employee with a uniform valued at \$102.00 in the pay period ended May 30, 2014. However, the Agency did not report the monetary value for the purchase of the uniform as special compensation. Government Code Section 20636 and CCR Section 571 require the monetary value for the purchase, rental, and/or maintenance of required clothing to be reported as special compensation for classic employees.
- B. The Agency's written labor policy did not include the conditions for payment of 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.

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, and historically consistent with prior payments for the job classification.

***Recommendation:***

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

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

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.

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***Criteria:***

Government Codes: § 20160, § 20636

CCR: § 571



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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* requirements. 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 11 employees who had hire dates that were different from the hire dates in my|CalPERS and one employee who had a birth date different from the birth date in my|CalPERS. In addition, OAS identified 44 individuals who had employment statuses that were different from the employment statuses in my|CalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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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, MBA, Senior Manager  
Vincent Antolini, Auditor  
Benjamin Banahene, Auditor

# APPENDIX A

## OBJECTIVES

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# ANAHEIM UNION HIGH SCHOOL DISTRICT

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## OBJECTIVES

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

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

Effective January 1, 2013, new enrollments are checked against the PEPRA definition of "new member," regardless of whether the enrollment is for a first time CalPERS member or an existing member. All members that do not fit within the definition of a new member are referred to as "classic members."

## 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.

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- ✓ 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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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



**ANAHEIM UNION HIGH SCHOOL DISTRICT**

*Learning With Purpose: College and Career Ready*

April 7, 2016

Mr. Benjamin Banahene  
California Public Employees'  
Retirement System  
Office Of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701

CalPERS ID: 3612527881  
Job Number: SP15-037

Dear Mr. Benjamin Banahene:

We have reviewed the March 14, 2016 draft report of your compliance review of the Anaheim Union High School District. Our response is as follows:

Condition 1 – The Agency's pay schedules did not meet all of the Government Code and CCR requirements: The District agrees and will correct the condition.

Condition 2 – The Agency did not report special compensation in accordance with the Government Code and CCRE: The District agrees and will correct the condition.

Condition 3 – The Agency's records do not agree with myCalPERS information: The District agrees and will correct the condition.

If you have any questions, please feel free to contact Erin Baker, Payroll Supervisor, at (714) 999-5693.

Sincerely,

Original signed by Bruce Saltz

Bruce Saltz  
Controller

Cc: Dianne Poore, Assistant Superintendent – Business  
Brad Jackson, Assistant Superintendent – Human Resources  
Brandon Tietze, Executive Director – Personnel Commission  
Erin Baker, Payroll Supervisor