

# **Office of Audit Services**



## **Public Agency Review**

# **Garden Grove Unified School District**

**CalPERS ID: 1101477156  
Job Number: SP15-036**

**August 2016**



California Public Employees' Retirement System  
Office of Audit Services  
P.O. Box 942701  
Sacramento, CA 94229-2701  
TTY: (877) 249-7442  
(916) 795-0802 phone, (916) 795-7836 fax  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

August 25, 2016

CalPERS ID: 1101477156  
Job Number: SP15-036

Jennell Sympson, Director of Business Services  
Garden Grove Unified School District  
10331 Stanford Avenue  
Garden Grove, CA 92840-6353

Dear Ms. Sympson:

Enclosed is our final report on the results of the public agency review completed for the Garden Grove Unified School District (Agency). Your written response is included as an appendix to 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 Board of Education  
Board of Education, Garden Grove Unified School District  
Orange County Superintendent of Schools  
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

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

## 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: Compensation .....	5
3: Retroactive Salary Adjustment .....	6
Observation: Census Data Reporting.....	7
Conclusion .....	8
Objectives.....	Appendix A
Agency's Written Response.....	Appendix B

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

## RESULTS IN BRIEF

The objective of our review was to determine whether the Garden Grove 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 observation 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.
- Compensation was not reported in accordance with the Government Code and CCR.
- Retroactive salary adjustment was 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 Orange County Schools, which includes the Agency, contracted with CalPERS effective March 1, 1949 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 Orange 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 July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with

---

# **GARDEN GROVE UNIFIED SCHOOL DISTRICT**

---

membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

## 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 met all of the Government Code and CCR requirements. Specifically, the Agency did not have one pay schedule that identified all of the employee positions and the time base for those positions. In addition, the Agency's salary schedule was not duly approved and adopted by the Agency's governing body in accordance with the requirements of applicable meeting laws. The pay schedule also referenced another document in lieu of disclosing the payrate for the Assistant Superintendent/Business Services position.

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

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

***Recommendation:***

The Agency should ensure it has a pay schedule that 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

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

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

***Condition:***

The Agency incorrectly reported a non-reportable item of compensation, Longevity Pay, for the management classified, certificated, and superintendent classified employees in the pay period ended July 31, 2013. Specifically, Longevity Pay was not included in a written labor agreement or policy that was approved by the Agency's governing body. The Agency included the provisions for Longevity Pay in its pay schedules for each group; however, as noted in Finding 1, the pay schedules were not duly approved and adopted by the Agency's governing body. Compensation that is not included in an authorized pay schedule or written labor agreement does not meet the definition of reportable compensation pursuant to Government Code Section 20636 and CCR Section 571 and should not be reported.

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 an approved 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, reported separately from payrate and earnings, and historically consistent with prior payments for the job classification.

***Recommendation:***

The Agency should only report compensation that meets the requirements of the Government Code and CCR.

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, § 20630, § 20636.1  
CCR: § 571



---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

**3:** The Agency incorrectly reported a retroactive salary adjustment.

***Condition:***

The Agency incorrectly reported a retroactive salary adjustment for the Business Services Director. Specifically, the Agency reported a retroactive salary adjustment with an incorrect effective date of July 1, 2013. The Agency should have reported the retroactive salary adjustment with an effective date of August 1, 2013, the effective date of the salary increase.

***Recommendation:***

The Agency should report the correct date for the salary increase.

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: § 20120, § 20121, § 20160, § 20636.1

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

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

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 discrepancies between the Agency's records and my|CalPERS database. Specifically, OAS identified 10 employees who had hire dates that were different from the hire dates in my|CalPERS. In addition, OAS identified 54 individuals who had employment statuses that were different from the employment statuses in my|CalPERS. Specifically, 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.

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

## 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

---

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Diana Thomas, CIA, CIDA, Senior Manager  
Marlene Noss, Manager  
Nuntawan Camyre, Lead Auditor  
Sean Gerardo, Auditor  
Benjamin Banahene, Auditor  
Rebecca Honeywell, Auditor  
Christopher Lee, Auditor  
Janice Ng, Auditor

---

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**

---

# APPENDIX A

## OBJECTIVES

---

# GARDEN GROVE UNIFIED SCHOOL DISTRICT

---

## 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.

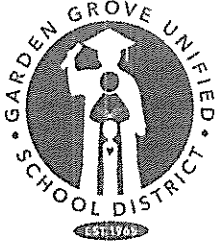
---

**GARDEN GROVE UNIFIED SCHOOL DISTRICT**

---

# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



## GARDEN GROVE UNIFIED SCHOOL DISTRICT

10331 Stanford Avenue • Garden Grove, CA 92840-6353  
Phone: (714) 663-6000 • Fax: (714) 663-6100

### BOARD OF EDUCATION

George West, Ed. D.  
*President*

Teri Rocco,  
*Vice President*

Bob Harden

Lan Quoc Nguyen  
Linda Reed

**SUPERINTENDENT**  
Gabriela Mafi, Ed. D.

August 10, 2016

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

Re: CalPERS ID: 1101477156  
Job Number: SP15-036

The Garden Grove Unified School District has received a copy of the draft report on the CalPERS compliance review regarding our district.

We have a response to each of the findings listed below:

Finding Number 1)

Pay schedule did not meet all of the Government Code and CCR Requirements.

- 1) Specifically, the district did not have one pay schedule that identified all of the employee positions and the time base for those positions.  
*The schedule will be modified to include the designation of monthly rates.*
- 2) The district's salary schedule was not duly approved and adopted by the governing board.  
*While the salary amounts are increased (or decreased) with proper notification and adoption by the district board of trustees, future salary schedules will be included to satisfy Government Code and CCR Requirements.*
- 3) The pay schedule did not include the Assistant Superintendent of Business position.  
*The Assistant Superintendent of Business position will be added to the one schedule representing the classified staff.*

*The district will work with CalPERS Employer Account Manager Division (EAMD) to identify and make adjustments to our classified salary schedule as appropriate.*

Finding Number 2)

Compensation was not reported in accordance with the Government Code and CCR

- 1) Longevity Pay is provided without specific inclusion in a written labor agreement approved by the district's governing board.

*The district will work with the classified management group to create a written agreement specifying longevity. This agreement will then be presented to the governing board for approval.*

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

Finding Number 3)

- 1) Retroactive salary adjustment was incorrectly reported for one of the samples tested. Specifically the retroactive date was reported as July 1, 2013 and should have been reported as August 1, 2013.

*The district had made a clerical error in incorrectly reporting the salary adjustment date for the sampled employee. We will correct the date for salary increase.*

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

Sincerely,

  
Jennell Sympson  
Director of Business Services

Original signed by Jennell Sympson

JS:ng