

Office of Audit Services



Public Agency Review

Los Angeles Unified School District

**CalPERS ID: 3614620780
Job Number: P15-008**

August 2016



California Public Employees' Retirement System
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August 31, 2016

CalPERS ID: 3614620780
Job Number: P15-008

Joy Mayor, Deputy Controller
Los Angeles Unified School District
333 South Beaudry Ave. 26th Floor
Los Angeles, CA 90017

Dear Mrs. Mayor:

Enclosed is our final report on the results of the public agency review completed for the Los Angeles Unified School District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding 1, 3B, and 4B. We appreciate the additional information that you provided in your response; however, after consideration of this information, our recommendations remain 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, Los Angeles Unified School District
Superintendent of the Los Angeles County Office 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

LOS ANGELES UNIFIED SCHOOL DISTRICT

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RESULTS IN BRIEF

The objective of our review was to determine whether the Los Angeles 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 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.
- Payrate and earnings were incorrectly reported.
- Employer Paid Member Contribution (EPMC) was incorrectly reported.
- Eligible part-time employees were not enrolled into CalPERS membership timely.
- Retired annuitants' employment did not comply with all Government Code requirements.
- Unused sick leave was incorrectly reported.
- Member reciprocal self-certification information was not maintained.
- 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 Los Angeles Unified School District contracted with CalPERS effective July 1, 1957 to provide retirement benefits for local miscellaneous and safety-police employees. 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 payroll reporting and member enrollment processes related to the Agency's retirement contract with CalPERS. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting

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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 sampled employees, records, and pay periods from July 1, 2011 through June 30, 2014. 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 schedule did not meet all of the Government Code and CCR requirements.

Condition:

The Agency's pay schedule did not meet all the requirements of the Government Code and CCR. Specifically, the pay schedules provided by the Agency did not indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually for every position. In addition, the pay schedule for certificated employees did not identify the position title for every employee position. Finally, the Agency did not maintain a pay schedule that identified the position title and payrate for every employee position. Multiple pay schedules were needed to identify the position titles for every employee 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

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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, § 20636.1
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 of uniforms. Specifically, the Agency's written labor policies stated that the Agency would provide police employees with uniforms and replace uniforms due to normal wear and tear. However, the Agency did not report the monetary value for the purchase of the uniforms. OAS requested copies of invoices for the purchase of uniforms provided to police employees; however, the invoices were not provided. Government Code and CCR require 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 policies for police employees did not include the condition for payment of uniforms. Specifically, the written labor policy contained a provision for providing uniforms; however, it did not identify amounts. CCR Section 571(b) requires the written labor policy or agreement contain the conditions for payment of, including, but not limited to, the eligibility for, and amount of, the special compensation.
- C. The Agency incorrectly reported Uniform Allowance as a lump sum amount. Specifically, in addition to providing police employees with uniforms as noted in Finding 2A, the Agency also provided sworn officers with an annual Uniform Allowance of \$700.00 to be used for repair and/or dry cleaning. However, the Agency reported the Uniform Allowance as lump sum amounts in the pay period ending December 31, 2013 instead of in the pay periods it was earned. Government Code Section 20636.1(c)(3) requires the Agency to identify the pay period(s) in which the special compensation was earned.
- D. The Agency over reported special compensation for two police employees in the August 2013 pay period. Specifically, the written labor agreement for police employees allow for Advanced peace officer standard training (POST) Certificate Pay of \$185.00 per pay period. However, the Agency over reported POST Certificate Pay in the amounts of \$200.50 and \$308.47, respectively. Government Code Section 20636.1(c)(2) stipulates special compensation items to be limited to amounts authorized pursuant to a labor policy or agreement.
- E. The Agency over reported special compensation for a Police Sergeant in the August 2013 pay period. Specifically, the written labor agreement for Los

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Angeles School Police Sergeants and Lieutenants Association allows for Longevity Pay of 11 percent of base salary each pay period after eight years of service. The Agency reported Longevity Pay of \$825.30 which exceeded the amount authorized by the written labor agreement. As a result, the Agency over reported Longevity Pay by \$52.07. Government Code Section 20636.1(c)(2) stipulates special compensation items to be limited to amounts authorized pursuant to a labor policy or agreement.

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 ensure it reports the monetary value of uniforms as special compensation.

The Agency should ensure the conditions for payment of the uniforms are included in the written labor agreements.

The Agency should report Uniform Allowance in the period earned.

The Agency should ensure that all special compensation is reported in accordance with 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.

Criteria:

Government Codes: § 20160, § 20630, § 20636.1
CCR: § 571

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3: The Agency incorrectly reported payrate and earnings.

Condition:

- A. The Agency incorrectly reported compensation earnable for full-time hourly employees. Specifically, the Agency explained that its payroll system capped employees' compensation at 173.33 hours per month which resulted in under reported regular earnings in months when employees worked more than 173.33 hours. For example, a full-time employee was compensated for working 168 regular hours in the pay period ended June 30, 2014, in which the Agency correctly reported 168 hours of compensation. However, when the same employee worked 176 regular hours in the pay period ended May 31, 2014, the Agency only reported 173.33 hours of compensation for the pay period. The incorrect reporting resulted in the employee's annual compensation, contributions, and service credit being understated for those months when employees worked more than 173.33 hours.

- B. The Agency did not report compensation to CalPERS in the periods earned for a certificated employee. Specifically, the employee worked an eleven-month academic year from August 12, 2013 through June 6, 2014 and did not work for the Agency in July 2013. However, the Agency incorrectly reported the annual payrate and earnings as equal payments over the 12 months instead of reporting it in the 11 months in which the compensation was earned. Government Code Section 20630(b) requires the employer to identify the pay periods in which the compensation was earned regardless of when reported or paid. Equal payments for salary withheld during the year cannot be reported during the months when an employee does not render service.

- C. The Agency incorrectly reported payrate and earnings for an employee who was reassigned from a Payroll Specialist III to a Senior Payroll Specialist. Specifically, the employee received a payrate increase from \$28.48 to \$32.67 per hour effective February 20, 2014. However, the Agency incorrectly reported total earnings along with the new hourly payrate of \$32.67 in the pay period ended February 28, 2014. The Agency should have reported earnings corresponding to the \$28.48 hourly payrate for the period February 1, 2014 to February 19, 2014 and earnings corresponding to the \$32.67 hourly payrate for the period February 20, 2014 to February 28, 2014. Payrate is an important factor in computing a member's retirement allowance.

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- D. The Agency incorrectly reported payrate for a System, Applications & Products in Data Procession (SAP) Function Analyst in the pay period ended August 31, 2013. The Agency reported a monthly payrate of \$9,328,000.00. However, the authorized monthly payrate was \$9,328.00. The Agency indicated the payrate was incorrectly entered into the payroll system but was corrected in subsequent pay periods.

Payrate and earnings are important factors in computing a member's retirement allowance.

Recommendation:

The Agency should report compensation and remit contributions for actual hours worked not to exceed 40 hours per week.

The Agency should ensure payrates and earnings for certificated employees are reported during the months scheduled to work during an academic year.

The Agency should ensure the correct payrates and earnings are reported to CalPERS and ensure the pay period in which compensation was earned is correctly identified.

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: § 570.5

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4: The Agency incorrectly reported member contributions.

Condition:

- A. The Agency incorrectly submitted member contributions as EPMC for classic employees represented by both the Classified Manager and the Los Angeles/Orange Counties Building and Construction Trades Council labor groups in the pay period ended August 31, 2013. Specifically, the Agency should not submit contributions as EPMC for either group because the provision was not authorized in a written labor policy or agreement. CCR Section 569 requires that the payment of EPMC must be authorized in a written labor agreement.

- B. The Agency also incorrectly submitted member contributions for classic employees represented by the California School Employee Association and Teamsters Local 572 related to a retroactive special compensation adjustment reported in the 2013-14 academic year. Although the Agency's written labor policies specify that the Agency will pay all or a portion of the employee contributions, the Agency incorrectly remitted the entire member contributions on the Off-Salary-Schedule Pay adjustment as member paid rather than EPMC.

Recommendation:

The Agency should ensure the authorization for the payment of EPMC is contained in a written labor agreement.

The Agency should ensure member contributions are reported to CalPERS in accordance with its written labor policy or agreement.

The Agency should work with EAMD to assess the impact of this incorrect reporting and make any adjustments, if necessary, to any impacted retired member accounts pursuant to Government Code Section 20160.

Criteria:

Government Codes: § 20160, § 20691
CCR: § 569

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5: The Agency did not properly enroll eligible part-time employees into CalPERS membership.

Condition:

The Agency did not enroll four part-time employees when membership eligibility requirements were met. Specifically, the employees exceeded 1,000 hours worked during Fiscal Year 2013-14; however, the Agency did not enroll the employees into CalPERS membership timely. Government Code Section 20305 requires employees who complete 1,000 hours of service within a fiscal year to be enrolled into membership effective not later than the first day of the first pay period of the month following the month in which 1,000 hours of service were completed.

Government Code Section 20283 provides that any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility shall be required to pay all areas cost for member contributions and administrative costs of five hundred dollars (\$500) per member as reimbursement to this system's current year budget.

Recommendation:

The Agency should ensure employees are enrolled in accordance with the Government Code.

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

Criteria:

Government Codes: § 20044, § 20160, § 20283, § 20305

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6: Retired annuitants' employment did not comply with Government Code requirements.

Condition:

The Agency did not reinstate three retired annuitants who exceeded the 960-hour threshold for hours worked in Fiscal Year 2013-14. Pursuant to Government Code Section 21224, a retired person may serve without reinstatement as long as he or she does not exceed a combined total of 960 hours worked for all employers in a fiscal year.

Government Code Section 21220 addresses the conditions and consequences of unlawful employment of a person who has been retired under this system. The Government Code states that any retired member employed in violation of this article shall reimburse this system for any retirement allowance received during the period or periods of employment that are in violation of law, pay to this system an amount of money equal to the employee contributions that would otherwise have been paid during the period or periods of unlawful employment plus interest thereon, and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the member is determined by the executive officer to be at fault.

The Government Code also states that any public employer that employs a retired member in violation of this article shall pay to this system an amount of money equal to employer contributions that would otherwise have been paid for the period or periods of time that the member is employed in violation of this article, plus interest thereon, and contribute toward reimbursement of this system for administrative expenses incurred in responding to this situation, to the extent the employer is determined by the executive officer of this system to be at fault.

Recommendation:

The Agency should monitor the hours worked by retired annuitants in order to limit the hours worked to 960 hours in a fiscal year, or immediately reinstate a retired annuitant into CalPERS membership if the retired annuitant's employment continues beyond the 960-hour threshold.

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

Criteria:

Government Codes: § 20160, § 21220, § 21224

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7: The Agency reported an incorrect unused sick leave balance for a retiring member.

Condition:

The Agency did not certify the correct number of sick leave days for a retiree. The Agency certified a balance of 1.479 years, equivalent to 369.68 days, of unused sick leave for a retiree. However, the correct balance was 355.98 days. Retiring members are eligible for additional service credit for unused sick leave accrued by the member during the normal course of employment. The total number of unused sick leave hours at retirement is converted to days to determine the additional service credit.

Recommendation:

The Agency should ensure the correct amount of unused sick leave for retiring members is reported to CalPERS.

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

Criteria:

Government Codes: § 20160, § 20963

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8: The Agency did not maintain the required member reciprocal self-certification.

Condition:

The Agency did not maintain the required member reciprocal self-certification for employees hired after January 1, 2013. CCR Section 579.3 requires individuals to self-certify in writing as to whether he or she is also a member of another public retirement system and is eligible for reciprocity. Agencies are required to retain the retirement and benefit-related information provided by the newly-hired individuals.

Recommendation:

The Agency should ensure employees hired on or after January 1, 2013 certify in writing whether they are members of another public retirement system and provide the additional required information if reciprocity exists. Further, the Agency should ensure it retains the information provided.

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

Criteria:

Government Codes: § 20160, § 7522.02, § 7522.04
CCR: § 579.3

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Observation: The Agency's records do not agree with myCalPERS 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 one employee whose date of birth was different from the date of birth in myCalPERS. OAS also identified 38 employees had hire dates that were different from the hire dates in myCalPERS. In addition, OAS identified 1,532 individuals who had employment statuses that were different from the employment statuses in myCalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through myCalPERS. 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

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Chris Wall, Senior Manager
Antonio Madrigal, Lead Auditor
Christopher Lee, Auditor

LOS ANGELES UNIFIED SCHOOL DISTRICT

APPENDIX A

OBJECTIVES

LOS ANGELES 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.), PEPRA, and Title 2 of the CCR.
- Reporting and enrollment 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.

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- ✓ Reviewed the Agency's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.
- ✓ Reviewed the Agency's employment practices for retired annuitants to determine if retirees were lawfully employed and reinstated when unlawful employment occurs.
- ✓ Reviewed the Agency's calculation and reporting of unused sick leave balances, if contracted to provide additional service credits for unused sick leave.
- ✓ 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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Accounting and Disbursements Division Payroll Administration

MICHELLE KING
Superintendent of Schools

MEGAN K. REILLY
Chief Financial Officer



V. LUIS BUENDIA
Controller

JOY MAYOR
Deputy Controller

ELVIE C. ESPINOZA
Director of Payroll Administration

August 15, 2016

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

RE: Draft Audit Report of LAUSD CalPERS Reporting

Dear Ms. Chappuie:

LAUSD has reviewed the draft audit report of June 29, 2016. Our responses to these potential findings are as follows:

LAUSD Preliminary Findings and Observations

- 1) Pay schedule did not meet all of the Government Code and CCR requirements.**
 - a) 2013-2014 Alphabetical Salary Schedule did not indicate the time base e.g. hourly, bi-weekly, monthly, etc.
 - b) 2013-2014 Salary Tables did not identify the position title for every employee position.
 - c) One pay schedule was not maintained that identified the position title and pay rate for every employee position.

LAUSD Response: After reviewing the Government Code and California Regulations sections cited, LAUSD disagrees with the CalPERS' auditors' interpretations of the requirements. Indeed, LAUSD does have salary schedules that efficiently and effectively disclose employee pay schedules.

- 2) Special compensation was not reported in accordance with the Government Code and CCR.**
 - a) The LA School Police Association and LA School Police Management Association MOU's contained provisions for uniforms provided to police employees; however the monetary value for the purchase and replacement of uniforms was not reported. We requested copies of invoices, however none were provided.

- b) The MOU's did not include the condition for payment of the uniforms provided as required by CCR 571.

LAUSD Response: LAUSD is committed to conform to the Government Code and CCR requirements and, therefore, will review its practices and make necessary adjustments.

- c) In addition to the uniforms provided, the police annual uniform allowance was reported as lump sum amounts instead of in the pay periods in which it was earned as required by GC 20630.

LAUSD Response: LAUSD intends to modify its practices to report the uniform allowance in the period earned.

- d) POST Certificate Pay for two police employees [REDACTED] was over reported. The MOU's allows \$185 per month for Advance POST Certificate pay. However, the amounts were over reported by \$123.47 and \$15.50 in pay period ending August 2013.

- e) Longevity pay was over-reported for a Police Sergeant [REDACTED] in the pay period ending August 2013. The MOU allows 11% of base pay per month, or \$779.23. However \$825.30 was reported for this employee.

LAUSD Response: LAUSD agrees with the findings. Appropriate adjustments will be made.

3) Pay rate and Earnings were incorrectly reported.

- a) LAUSD reports all earnings up to 173.33 hours worked in a month. However in months where employee's work more than 173.33 hours, compensation was capped and no adjustments were made in months where employee's worked less than 173.33 hours. This resulted in employee's annual compensation, contributions, and service credit to be understated.

LAUSD Response: Based upon prior discussions and an agreement between LAUSD and CalPERS Payroll Reporting Staff, LAUSD implemented the current 173.33 hours capped per month effective July 1, 2011. In light of this new information and request for change, LAUSD will evaluate a systematic change to implement 40 hour per work week cap in accordance with Government Code requirement. LAUSD plans to apply the system change in 2017-2018.

- b) A certificated employee [REDACTED] was scheduled to work 11 months during Academic Year 2013-14. However, the pay rate and earnings reported was based on 12 months. GC 20630 requires compensation to be reported as earned and equal payments cannot be reported in months when an employee does not render services.

LAUSD Response: LAUSD does not agree with the finding.

- c) A classified employee [REDACTED] received an hourly pay rate increase from \$28.48 to \$32.67 effective February 20, 2014. However, the \$32.67 hourly pay rate was

incorrectly used to report total compensation earned during the month. As a result, the pay rate was over reported

LAUSD Response: LAUSD agrees with the finding. Appropriate adjustments will be made.

- d) A classified employee [REDACTED] pay rate was incorrectly reported in the pay period ended August 31, 2013. The Agency reported a monthly pay rate of \$9,328,000.00. However, the authorized monthly pay rate was \$9,328.00.

LAUSD Response: This has been detected in the validation process and correct pay rates and earnings have already been submitted to CalPERS.

4) Employer Paid Member Contribution (EPMC) was incorrectly reported.

- a) EPMC was not authorized in a written labor agreement for employees represented under the Classified Manager and the Los Angeles/Orange Counties Building and Construction Trades Council bargaining units as required by GC 20691 and CCR 569.
- b) EPMC was incorrectly reported as member contributions on a one-time retroactive special compensation adjustment (Off Salary Schedule pay) for employees represented under the California School Employee Association and Teamsters Local 572.

LAUSD Response: The one-time 2% off salary schedule payment paid during fiscal year 2013-14 was withdrawn in September 2015, no adjustments are needed.

5) Eligible part-time employees were not timely enrolled into CalPERS.

- a) 4 part-time employees [REDACTED] exceeded 1,000 hours worked during fiscal year 2013-14; however, were enrolled at a later date rather than at the time they met membership eligibility requirements. GC 20305 requires employees to be enrolled into membership effective not later than the first day of the first pay period of the month following the month in which 1,000 hours of service were completed.

LAUSD Response: LAUSD concurs with the finding. This is a timing issue when a new member is enrolled. Noted employees are now enrolled in CalPERS.

6) Retired Annuitants

- a) 3 retired annuitants [REDACTED] exceeded the 960-hour threshold for hours worked in Fiscal Year 2013-14

LAUSD Response: LAUSD concurs with the finding. LAUSD has implemented a process to monitor the fiscal year to date hours of CalPERS member retirees that were re-employed by the District to ensure that their work hours do not exceed the 960 hour work limit.

7) Unused sick leave was incorrectly reported.

- a) 369.68 days of unused sick leave was certified for a retiree [REDACTED]; however the correct balance was 355.98 days.

LAUSD Response: LAUSD agrees with the finding. Appropriate adjustments will be made.

8) Member reciprocal self-certification information was not maintained.

a) Email attachments:

LAUSD Response: LAUSD agrees with the finding. LAUSD will ensure to maintain the required member reciprocal self-certification for employees hired after January 1, 2013.

9) Observation: Agency records did not agree with myCalPERS information. (GASB 67)

- a) 1 employee date of birth
- b) 38 employees hire dates 1,532 appointment statuses
- c) Email attachments:
 - i) GASB Variances spreadsheet

LAUSD Response: LAUSD agrees with the finding. LAUSD will reconcile and provide correct update to CalPERS by September 30, 2016.

Sincerely,



Original signed by Joy Mayor

Joy Mayor
Deputy Controller