

# **Office of Audit Services**



## **Public Agency Review**

### **Montebello Unified School District**

**CalPERS ID: 7288374822  
Job Number: SP15-014**

**August 2016**



California Public Employees' Retirement System  
Office of Audit Services  
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August 31, 2016

CalPERS ID: 7288374822  
Job Number: SP15-014

Rueben J. Rojas, Chief Business Officer  
Montebello Unified School District  
123 S. Montebello Blvd.  
Montebello, CA 90640

Dear Mr. Rojas:

Enclosed is our final report on the results of the public agency review completed for the Montebello Unified School District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report. We appreciate the additional information that you provided in your response. However, our recommendations will 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, Montebello Unified School District  
Debra Duardo, Superintendent, Los Angeles County Office of Education  
Susan Contreras Smith, Superintendent of Education, Montebello Unified School District  
Cleve A. Pell, Chief Financial and Operations Officer, Montebello Unified School District  
Marlene Pitchford, Director of Classified Personnel, Montebello Unified School District  
Kim Tran, Controller, Montebello Unified School District  
Rose Ella Kerns, Payroll and Benefits Manager, Montebello Unified 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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# MONTEBELLO UNIFIED SCHOOL DISTRICT

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# MONTEBELLO UNIFIED SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Montebello 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.
- 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 Los Angeles 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 Los Angeles County Schools payroll system. The Los Angeles County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the Los Angeles 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.

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## **MONTEBELLO UNIFIED SCHOOL DISTRICT**

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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 did not have a pay schedules that met all of the Government Code and CCR requirements.

***Condition:***

The Agency' did not have a pay schedule that met 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. In addition, the Agency did not maintain one 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 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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***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

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# MONTEBELLO 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 for the rental and maintenance of uniforms for its bus driver employees enrolled as classic members. Government Code Section 20636.1 and CCR Section 571(a)(5) requires 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 that included school bus drivers 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 ensure the monetary value for the rental and maintenance of uniforms is reported as special compensation for classic members.

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

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, § 20636.1  
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*. 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 13 employees who had hire dates that were different from the hire dates in my|CalPERS. OAS also identified 77 employees whose employment statuses were different from the employment statuses in my|CalPERS. The Agency's records showed that the employees 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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# MONTEBELLO 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  
Alan Feblowitz, CFE, Senior Manager  
Chris Wall, MBA, Senior Manager  
Antonio Madrigal, Auditor  
Zach Barlow, Auditor

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**MONTEBELLO UNIFIED SCHOOL DISTRICT**

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# **APPENDIX A**

## **OBJECTIVES**

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# MONTEBELLO 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.), PEPRA, 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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# MONTEBELLO UNIFIED SCHOOL DISTRICT

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# APPENDIX B

## AGENCY'S WRITTEN RESPONSE

Note: The Agency provided an attachment to the response that was intentionally omitted from this appendix.



# MONTEBELLO UNIFIED SCHOOL DISTRICT

Ruben J. Rojas, Chief Business Officer  
Business Services Division  
123 South Montebello Blvd., Montebello, CA 90640  
(323) 887-7900 • Fax (323) 887-3177

August, 24, 2016

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

RE: Compliance Review / Job # SP15-014

Dear Mr. Chappuie,

Thank you for the opportunity to comment on the draft Office of Audit Services report of the Montebello Unified School District. We have reviewed your letter dated May 5, 2016 and report.

On behalf of Montebello Unified School District, we want to thank you for taking the time to closely examine the District's compliance with the Public Employees' Retirement Law (PERL) and its contract related to compensation and payroll reporting.

As you requested, this response will address the District's planned corrective actions which address the recommendations made in the report.

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

The district agrees with the audit finding and will remedy the matter by the following actions:

1. Merge multiple pay schedules onto one pay schedule.
2. Identify each position title for every employee position, show salary ranges, and indicate the time base such as hourly, monthly, or annually.

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

Wishing to comply with this audit finding, the District has been working with the Los Angeles County Office of Education (LACOE) to see if their payroll system can accommodate the special compensation reporting.

**BOARD OF EDUCATION**

BENJAMIN CÁRDENAS, *President*  
LANI CUPCHOY, Ph.D., *Vice President*  
HECTOR A. CHACÓN, *Clerk*  
EDGAR CISNEROS, *Member*  
JOANNA FLORES, *Member*

**ADMINISTRATION**

SUSANNA CONTRERAS SMITH, *Superintendent of Schools*  
CLEVE A. PELL, *Chief Financial and Operations Officer*  
RUBEN J. ROJAS, *Chief Business Officer*  
ANTHONY J. MARTINEZ, Ph.D., *Assistant Superintendent – Instructional Services*

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LACOE has expressed concerns due to the minimal values at issue. The concern stems from a potential problem due to minimum amounts reportable to the California Public Employees' Retirement System (CalPERS).

The following is offered as a point of reference and example with the hope that we can accommodate the Finding to our mutual benefit;

Each bus driver employed by the District receives 11 shirts. Every week, 6 shirts are being used and 5 shirts are being cleaned by the uniform service. We are charged 0.79 cents per week for 5 shirts (copy of an invoice was sent to you). This monthly cost is approximately \$3.16 for each driver. The shirts do not belong to our employees and are required to be returned to the district when the employee departs from the District.

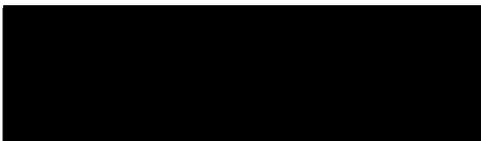
Furthermore, this issue presents a challenge as our classified union representation requires the District to treat Classic and California Public Employees' Pension Reform Act (PEPRA) members equally and thus the requested reporting would in essence create disparity amongst our employees. Currently, Classic and PEPRA members all receive the same uniform shirts to wear. As I am sure you understand, the district is committed to working closely with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary.

In light of the above, the district respectfully request that your agency please consider modifying the report and findings, specifically, Finding # 2.

If you have any questions, please feel free to contact our Payroll Manager, Rose Ella Kerns, at ext. 2311 or our Classified Human Resources Manager, Victor Tomaszewski, at ext. 2207.

We look forward to receiving your final report.

Sincerely,



Original signed by Ruben J. Rojas

Mr. Ruben J. Rojas  
Chief Business Officer

Cc: Montebello Unified School District:  
Susanna Contreras Smith, Superintendent of Education  
Cleve A. Pell, Chief Financial and Operations Officer  
Marlene Pitchford, Director of Classified Personnel  
Kim Tran, Controller  
Rose Ella Kerns, Payroll and Benefits Manager