

# **Office of Audit Services**



## **Public Agency Review**

### **Mt.Diablo Unified School District**

**CalPERS ID: 1770922472  
Job Number: SP15-038**

**July 2016**



California Public Employees' Retirement System  
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July 28, 2016

CalPERS ID: 1770922472  
Job Number: SP15-038

Nance Juner, Director of Fiscal Services  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, CA 94519-1397

Dear Ms. Juner:

Enclosed is our final report on the results of the public agency review completed for the Mt. Diablo 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. We appreciate the explanation you provided. After our analysis, Finding 1 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: Contra Costa County Board of Education  
Board of Education, Mt. Diablo 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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# MT. DIABLO 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: Payrates .....	7
Observation: Census Data Reporting.....	8
Conclusion .....	9
Objectives .....	Appendix A
Agency's Written Response .....	Appendix B

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# MT. DIABLO UNIFIED SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Mt. Diablo 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 was incorrectly reported to CalPERS.
- 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 Contra Costa County Schools contracted with CalPERS effective July 1, 1948 to provide retirement benefits for local miscellaneous employees. Individual school districts, such as the Agency, input members' payroll data into the Contra Costa County School's payroll system. The Contra Costa County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of Contra Costa 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

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## **MT. DIABLO UNIFIED SCHOOL DISTRICT**

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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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# MT. DIABLO UNIFIED SCHOOL DISTRICT

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not maintain 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 salary schedules did not indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually for the positions. In addition, the Agency did not maintain a pay schedule that identified the position title and payrate for every employee position. Multiple salary schedules were needed to identify position titles.

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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## MT. DIABLO UNIFIED SCHOOL DISTRICT

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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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# MT. DIABLO 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 incorrectly reported regular earnings as special compensation for an Assistant to the Deaf/Hard of Hearing employee. Specifically, the employee was compensated \$1,488.00 in the pay period ended June 2014 for working in a second position as a Home Teacher. The Agency should have reported the additional compensation for work performed in a second position to CalPERS as regular earnings; however, it was incorrectly reported as special compensation. Because the Assistant to the Deaf/Hard of Hearing position was less than full-time, the Agency should report any additional compensation earned in a secondary position as earnings.
- B. The Agency over reported Shift Differential and Longevity Pay for a Security Operations Dispatcher/Clerk in the November 2013 pay period.
- The Agency incorrectly calculated Shift Differential and Longevity Pay for the employee. Specifically, the employee was entitled to 12.5 percent Shift Differential and 2.5 percent Longevity Pay. Based on the employee's regular earnings of \$2,893.75, the Agency should have reported Shift Differential of \$361.72 and Longevity Pay of \$72.34. However, the Agency incorrectly reported \$490.72 and \$110.41 respectively.
  - The Agency also incorrectly reported additional Shift Differential and Longevity Pay as special compensation. Both items were based on the employee's Off-Salary-Schedule Pay. Although the employee was paid \$694.50 for Off-Salary-Schedule Pay, the Agency should not report Shift Differential and Longevity Pay amounts that are calculated from Off-Salary-Schedule Pay. Only the compensation earned on base payrate and regular earnings should be reported to CalPERS as special compensation. Therefore, the additional Shift Differential of \$86.81 and Longevity Pay of \$19.53 should not have been reported to CalPERS as 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,



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## MT. DIABLO UNIFIED SCHOOL DISTRICT

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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 regular earnings are not reported to CalPERS as special compensation.

The Agency should ensure it correctly calculates Shift Differential and Longevity Pay as specified by the written labor agreement.

The Agency should not calculate Shift Differential and Longevity Pay on Off-Salary-Schedule Pay.

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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## MT. DIABLO UNIFIED SCHOOL DISTRICT

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**3:** The Agency incorrectly reported payrate information.

***Condition:***

The Agency incorrectly reported a daily payrate for a Substitute Teacher. Specifically, the Agency reported a daily payrate of \$9,750.00 in the June 2014 pay period. The employee's daily payrate is listed as \$97.50 on the approved public salary schedule. Payrate is an important factor in computing a member's retirement allowance.

***Recommendation:***

The Agency should ensure payrates are correctly reported to CalPERS.

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

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## MT. DIABLO 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 five employees who had birth dates or hire dates different from dates in my|CalPERS. Additionally, OAS identified 72 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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# MT. DIABLO 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  
Earl Hsu, CFE, Auditor

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**MT. DIABLO UNIFIED SCHOOL DISTRICT**

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# **APPENDIX A**

## **OBJECTIVES**

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# MT. DIABLO 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 enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.

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## MT. DIABLO UNIFIED SCHOOL DISTRICT

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- ✓ 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 independent contractors to determine whether the individuals were either eligible or correctly excluded from CalPERS membership.
- ✓ Reviewed the Agency's affiliated entity organizational structure to determine whether employees of the affiliated entity qualified for CalPERS membership and were enrolled as required.
- ✓ 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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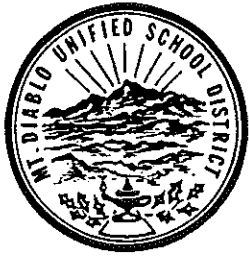
**MT. DIABLO UNIFIED SCHOOL DISTRICT**

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**





MT. DIABLO UNIFIED SCHOOL DISTRICT  
JAMES W. DENT EDUCATION CENTER  
1936 Carlotta Drive  
Concord, California 94519-1397  
(925) 682-8000

OFFICE OF  
BUDGET & FISCAL SERVICES

June 10, 2016

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

Dear Ms. Chappuie,

This letter is in response to the draft compliance review dated May 23, 2016 regarding the Mt. Diablo Unified School District's contract with the California Public Employee's Retirement System.

The District offers the following responses to the draft compliance review report:

Finding No. 1: The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.

The agency will work with CalPERS Employer Account Management Division (EAMD) to meet all the Government Code and CCR requirements. The District does not concur that it required multiple salary schedules to identify position titles. The District recognizes CCR Section 570.5 requires time base for each position and will ensure compliance by updating salary schedules where needed.

Finding No. 2: The Agency did not report Special Compensation in accordance with the Government Code and CCR.

- A. The District concurs with the finding. The District will implement procedures to ensure any additional compensation earned in a secondary position is recorded as earnings, not Special Compensation.
- B. The District concurs that Shift differential and Longevity that was calculated on Off-Schedule Pay is not eligible to be added to the Off Schedule Pay, as an additional reportable Special Compensation.

Finding No. 3: The Agency incorrectly reported pay rate information.

The agency will correct the incorrect rate and will ensure that in the future we will record the correct rate.

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

The Agency will work with the appropriate CalPERS division to make the necessary corrections to the census information.

*Nance Juner*



Original signed by Nance Juner

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Director of Fiscal Services  
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