

# **Office of Audit Services**



## **Public Agency Review**

# **Corona-Norco Unified School District**

**CalPERS ID: 2828517454  
Job Number: SP15-032**

**May 2016**



California Public Employees' Retirement System  
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May 31, 2016

CalPERS ID: 2828517454  
Job Number: SP15-032

Mary Perea, Interim Assistant Superintendent, Business  
Corona-Norco Unified School District  
2820 Clark Avenue  
Norco, CA 92860

Dear Ms. Perea:

Enclosed is our final report on the results of the public agency review completed for the Corona-Norco 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 a portion of Finding 2. We appreciate the additional information that you provided in your response. After consideration of this information, we clarified Finding 2.

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: Riverside County Board of Education  
Board Members, Corona-Norco 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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# CORONA-NORCO UNIFIED SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Corona-Norco 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.

- Payrate and earnings were not reported.
- Special compensation was not reported in accordance with the Government Code and CCR.
- Observation: Agency's written labor policy includes a retirement enhancement provision that constitutes Final Settlement Pay that is not reportable.
- 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 Riverside County Schools, which includes the Agency, contracted with CalPERS effective July 1, 1949 to provide retirement benefits for local miscellaneous employees. By way of the Riverside County School's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not report payrate and earnings.

***Condition:***

The Agency did not report payrate and earnings for a miscellaneous custodial employee. Specifically, the employee worked 144.0 hours and earned \$2,082.24 in February 2014. However, the Agency did not report the employee's payrate and earnings to CalPERS. The Agency should have reported a payrate of \$14.46 per hour and earnings in the amount of \$2,082.24. As a result the member did not receive service credit and the Agency did not submit contributions for the period worked. Payrate and earnings are important factors when computing a member's retirement allowance.

Subsequent to the on-site review, the Agency retroactively reported the member's payrate and earnings. However, the Agency incorrectly paid and reported the member contributions on behalf of the employee. For new members hired on and after January 1, 2013, Government Code Section 7522.30(a) requires equal sharing of the normal cost between public employers and employees.

***Recommendation:***

The Agency should ensure payrate and earnings are correctly reported to CalPERS.

The Agency should work with 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, § 20630, § 20636.1, § 7522.30

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

***Condition:***

The Agency reported Longevity Pay of \$2,027.00 in payrate and earnings for a Deputy Superintendent in the pay period ended February 28, 2014. However, the Longevity Pay did not meet all of the criteria listed in CCR Section 571(b). The Deputy Superintendent's employment agreement stated that the employee was eligible for the same longevity increases as all other certificated employees; however, the agreement did not identify the conditions of the Longevity Pay. For example, the agreement did not identify the number of years of service required to be eligible for the pay, and the agreement did not identify the amount of the pay.

CCR Section 571(b) requires that the conditions for all special compensation, including amounts, be included in a written labor policy or agreement. Reportable special compensation is defined in Government Code Section 20636.1 and CCR Section 571(a) and must be reported if it conforms with all 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 for and amount of the 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, historically consistent with prior payments for the job classification, and must not reference another document in lieu of disclosing the time of special compensation

***Recommendation:***

The Agency should only report special compensation that meets the criteria of special compensation under the Government Code and the 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, § 20636.1  
CCR: § 571

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**Observation 1:** The Agency's written labor policy includes a retirement enhancement provision which constitute Final Settlement Pay.

***Condition:***

The Agency's pay schedule for classified management employees included a provision entitled Retirement Enhancement that constitutes Final Settlement Pay under the Government Code and CCR. Final Settlement Pay in any form is not reportable to CalPERS in either payrate or special compensation per Government Code Section 20636.1(f) and CCR Section 570.

Specifically, the 2013-2014 pay schedule for the classified management group stated that employees could advance to the highest salary step listed in the pay schedule in anticipation of retirement. Depending on the tenure and payrate of the management employees, the potential pay increase in salary could be from as low as 8.59 percent up to 38.59 percent under the circumstances listed below:

- The employee must have a minimum of ten consecutive years of service as a classified employee in the Agency.
- The employee must be at least 52 years of age and no more than 60 years of age.
- The employee must be eligible for service retirement under CalPERS rules on the effective date of retirement.
- The employee must submit a letter of intent stating the anticipated date of retirement from all employment with the Agency effective on a specified date no more than three years from initial placement in the highest salary step.
- The letter must be effective no later than June 30 of the third year in the highest salary step.
- By September 30 of the final year of anticipated employment with the Agency, the employee must submit a letter of resignation effective no later than June 30 of that school year.
- If the employee wishes to withdraw from the incentive program at any time prior to acceptance of his/her resignation, the employee may elect to do so by presenting a letter to the Human Resources Division, and by signing an Agreement for payroll deduction to return all additional salary paid through this program in a term equivalent to their participation in the program to that date.
- The employee may continue in the highest salary step in accordance with the letter of intent for a maximum of three years. No employee may continue in the highest salary step beyond the school year in which the employee reaches age 60.

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- Only the employees' normal pay will be affected by movement to the highest salary step. Any additional pay such as summer school will be paid as though the employee has not moved to the step.
- Once an employee has moved to the highest salary step, the employee will stay at the initial placement until the date of retirement for up to three years as specified in the letter of intent, unless the employee would have moved to a higher qualifying class as above, then the employee will move to the new corresponding position at the highest salary step for any remaining service time prior to retirement.

Final Settlement Pay is described in CCR Section 570, as pay or a cash conversion of employee benefits that are in excess of compensation earnable, that are awarded to a member in connection with, or in anticipation of, a separation from employment. Based on the circumstances listed on the pay schedule, OAS determined the retirement enhancement compensation is Final Settlement Pay and is not reportable to CalPERS. OAS recommends the Agency work with EAMD to ensure that only compensation earnable as defined under Government Code Section 20636.1 and CCR 570 is reported to CalPERS.



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**Observation 2:** 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 fifteen employees who had hire dates that were different from the hire dates in my|CalPERS. The hire dates in my|CalPERS were based on the contract effective date instead of the actual date of hire. OAS also noted several individuals who had employment statuses that were different from the employment statuses in my|CalPERS. The Agency's records show that the employees have separated; however, the employees were not separated through my|CalPERS. OAS recommends the Agency work with the appropriate CalPERS division to make any corrections, if necessary.

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## CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives outlined in Appendix A. The procedures performed provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract except as noted.

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination in regard to the findings noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations on the report findings and provide appeal rights, if applicable, at that time. All appeals must be made to the appropriate CalPERS division by filing a written appeal with CalPERS, in Sacramento, within 30 days of the date of the mailing of the determination letter, in accordance with Government Code Section 20134 and Sections 555-555.4, Title 2, of California Code of Regulations.

Respectfully submitted,

Original signed by Beliz Chappuie

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief  
Alan Feblowitz, CFE, Senior Manager  
Jose Martinez, Lead Auditor

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# APPENDIX A

## OBJECTIVES

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## OBJECTIVES

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

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting 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 records to determine whether member census data agreed with my|CalPERS information.

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**



**CORONA-NORCO UNIFIED SCHOOL DISTRICT**  
 2820 CLARK AVENUE NORCO, CALIFORNIA 92860-1903  
 TELEPHONE : (951) 736-5000 http://www.cnusd.k12.ca.us

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 Tel.. (951) 736-S010 / Fax: (951) 736-5015

Samuel Buenrostro, Ed.D., Deputy Superintendent  
 Human Resources  
 Tel.. (951) 736-5064 / Fax (951) 736-5077

Michael G. Cobarrubias, Assoc. Superintendent  
 Instructional Support  
 Tel.. (951) 736-5111 / Fax (951) 736-5172

Ben Odipo, PMP, Asst. Superintendent  
 Information Technology  
 Tel.. (951) 736-5190 / Fax: (951) 736-5196

Mary Perea, Interim Asst. Superintendent  
 Business Services  
 Tel.. (951) 736-5035 / Fax (951) 736-5055

Ted E. Rozzi, Asst. Superintendent  
 Facilities  
 Tel.. (951) 736-5045 / Fax: (951) 736-5047

Lisa Simon, Ed.D., Asst. Superintendent  
 Educational Services  
 Tel.. (951) 736-5080 / Fax: (951) 736-5087

Linda K. White  
 Assistant to the Superintendent  
 Tel.. (951) 736-5003 / Fax (951) 736-5015

May 03, 2016

Beliz Chappuie, Chief Auditor  
 California Public Employees ' Retirement System  
 Office of Audit Services  
 PO Box 942701  
 Sacramento, CA 94229-270 1

Dear Ms. Chappuie:

In response to the draft report regarding Corona-Norco Unified School District's Compliance Review with the California Public Employees ' Retirement System contract, provided is our written response:

**Finding 1: "The Agency did not report payrate and earnings"**

- o Agree
  - A process to better identify and report employees meeting the criteria for membership has been established and applied.
  - Should a member have retroactive reporting, there is a deduction code utilized for members to pay their portion to align with Government Code Section 7522.30(a).

**Finding 2: "The Agency incorrectly included non-reportable compensation in payrate and earnings."**

- o Agree
  - A revision of the Management Salary Schedules was board approved to address longevity on 12/7/2015.
  - Longevity has been reported on a separate line as special compensation beginning in March 2016.
- o Disagree
  - The reference of following the certificated longevity, as noted on the management salary schedule, was in regards to the percent scale used between ranges and not the criteria as stated in the compliance review.

We appreciate the opportunity to provide our response to the compliance review. If you have any questions, please contact Anthony Warnecke at (951) 736-5041.

Sincerely,

Original signed by Mary Perea

Mary Perea  
 Interim Assistant Superintendent, Business Services

**Board of Education**

Jose W. Lalas, Ph.D. Bill Neill, Jerry  
 Cathy L. Sciortino Mary Helen Ybarra John "Mr. Z" Zickefoose

