

# EXHIBIT 10



California Public Employees' Retirement System  
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## Memorandum

December 6, 2018

**To:** CALPERS CONTRACTING AGENCIES AND GOVERNING BODIES PER ATTACHMENT

**From:** BELIZ CHAPPUIE, Chief  
Office of Audit Services

Original signed by Beliz Chappuie

Subject: Payrate Increases Review

Enclosed is our final report on the results of our Payrate Increases Review for 42 public agencies, 12 schools, and 10 state agencies. The Office of Audit Services (OFAS) prepared one final report that includes the results of 64 agencies reviewed. The observations identified and the details of the impacted employees have been shared with each agency through a draft report. Agencies' responses have been summarized in their respective final reports included in the appendix to the report. Agencies' full responses to the draft reports have been forwarded to the appropriate CalPERS divisions and are also on file at OFAS and available upon request.

In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Agencies should work with these divisions to address the recommendations specified in our report. It was our pleasure to work with each agency, and we appreciate their time and assistance during this review.

Attachment

Cc: Risk and Audit Committee Members  
Matthew G. Jacobs, General Counsel, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Renee Ostrander, Chief, EAMD, CalPERS  
Don Martinez, Chief, MAMD, CalPERS

# Payrate Increases Review

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## CalPERS Office of Audit Services Public Agency Review

Job Number: P17-003

December 2018

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## Objective

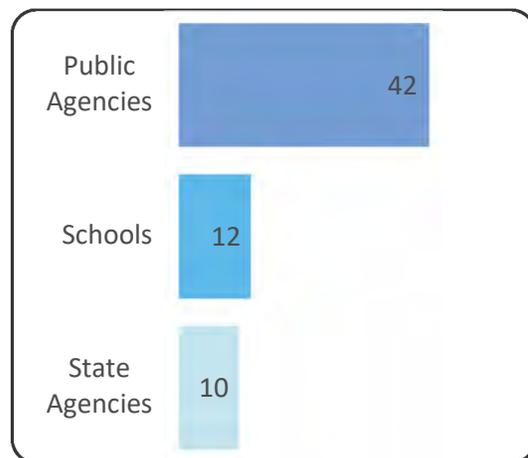
The objective of our review was to determine whether increases to member payrates were granted and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Payrates must be in written pay schedules, ordinances or similar documents that are available for public review and the pay schedules must meet criteria listed in CCR section 570.5. Payrates are deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. Reporting member payrates accurately is a necessary precursor to correctly calculating service credit and member benefits at retirement. Specifically, payrates must be reported for the period earned, payrates can only be reported for periods services are rendered, payrates cannot include additional compensation or any item of special compensation listed in CCR section 571, and increases to payrates cannot be granted or awarded to a member in connection with or anticipation of separation from employment. Reporting incorrect payrates could cause the following: miscalculation of a member's service credit, incorrect payment of benefits, inaccurate retirement estimates, delays in processing a member's retirement benefits, and

hardship to retired members due to a reduction in benefits.

## Scope

To achieve the review objective, the Office of Audit Services (OFAS) selected a sample of 64 contracting agencies comprised of 42 public agencies, 12 schools, and 10 state agencies (Figure 1). Each agency reviewed reported member payrates with significant increases during the review period. Our review included procedures to determine whether pay schedules were maintained and payrates were reported in compliance with the Government Code and CCR. Our review covered the period of July 1, 2012 to June 30, 2017. Unless otherwise specified, OFAS did not review the agencies' compliance with the PERL in regard to any other issue, including but not limited to payroll and contribution reporting, membership enrollment, or employment after retirement.

Figure 1  
Composition of Sampled Agencies



### Results in Brief

OFAS completed the review of 64 agencies and included the individual final reports in Appendix A. Results of the review showed that 51 of the 64 agencies did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, pay schedules did not identify time base, were not approved by the agency's governing body, did not identify the effective date or date of revisions, did not list all position titles, did not list a payrate for all positions, referenced another document, and contained incorrect payrates. Figure 2 lists the identified pay schedule exceptions by type. In addition, results showed that 51 of the 64 agencies did not grant or report payrates in compliance with the Government Code and CCR. Specifically, payrates

included additional compensation; payrate increases were not correctly reported; payrates exceeded base payrates approved on a pay schedule; payrate adjustments were not correctly reported; payrates were not full-time; reduced payrates were reported; incorrect payrates were reported; payrates included non-reportable compensation; and reported payrates were not on pay schedule. Figure 3 lists the payrate exceptions by type.

Note: During the fieldwork personnel from several state agencies stated that the California Department of Human Resources (CalHR) is responsible for maintaining pay schedules and the State Controller's Office (SCO) reports payroll to CalPERS. Personnel from several schools stated that the County Office of Education (COE) reports payroll to CalPERS.

**Figure 2**  
Percentage of Agencies with Pay Schedule Exceptions by Type

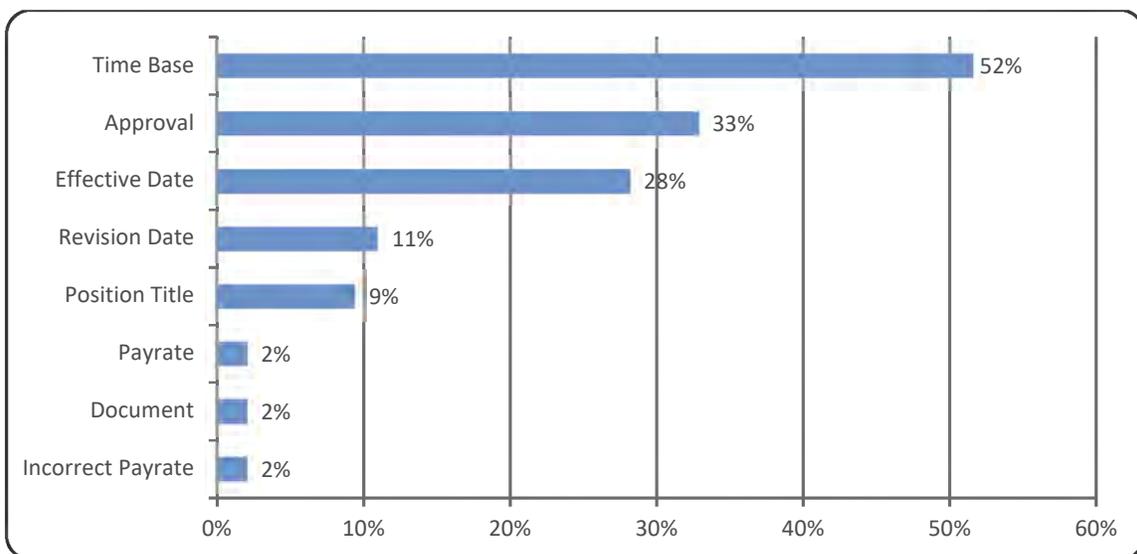
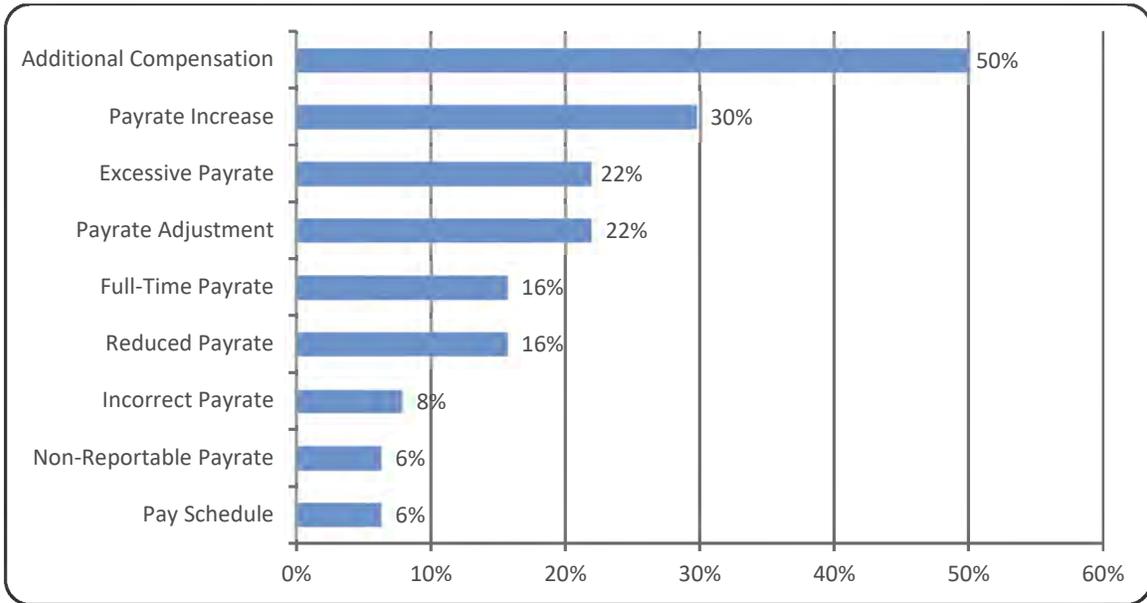


Figure 3  
Percentage of Agencies with Payrate Exceptions by Type



**Table 1**  
**Summary of Individual Agency Exceptions – Listed in Order by OFAS Job Number**

#	Agency	Pay Schedule Exception Type	Payrate Exception Type	Appendix Page Number
1	Oakland Unified School District	Time Base Approval Effective Date Revision Date Position Title	Additional Compensation Payrate Increase Excessive Payrate Payrate Adjustments Non-Reportable Payrate Pay Schedule	A-1
2	Alameda City Unified School District	Time Base	Additional Compensation Excessive Payrate Payrate Adjustments Full-Time Payrate	A-7
3	County School Service-Contra Costa County Schools	Approval	Payrate Increase Payrate Adjustments Full-Time Payrate	A-11
4	Fresno Unified School District	Time Base	Additional Compensation Excessive Payrate Full-Time Payrate	A-15
5	Panama-Buena Vista Union Elementary School District	Time Base Approval Document	Additional Compensation Payrate Adjustments Full-Time Payrate Incorrect Payrate Non Reportable Payrate	A-19
6	Montebello Unified School District	None	None	A-23
7	Monterey County Schools	Time Base Approval Incorrect Payrate	Additional Compensation Full-Time Payrate	A-25
8	Tustin Unified School District	Time Base Approval	Additional Compensation Excessive Payrate Payrate Adjustments Full-Time Payrate Non Reportable Payrate	A-29
9	Santee Elementary School District	None	Additional Compensation Excessive Payrate Payrate Adjustments	A-33
10	Lompoc Unified School District	Time Base Approval Revision Date	Additional Compensation Excessive Payrate Payrate Adjustments Full-Time Payrate Reduced Payrate Non Reportable Payrate	A-37
11	Rincon Valley Union Elementary School District	Time Base Approval Revision Date	Additional Compensation Pay Schedule	A-43
12	Oak Park Unified School District	Time Base	Payrate Increase Excessive Payrate Full-Time Payrate Pay Schedule	A-47

#	Agency	Pay Schedule Exception Type	Payrate Exception Type	Appendix Page Number
13	Department of Forestry and Fire Protection	Time Base Effective Date	Additional Compensation Payrate Increase	A-51
14	Department of Water Resources	Time Base Effective Date	Payrate Increase	A-55
15	California State University at San Bernardino	Time Base Approval	Additional Compensation Reduced Payrate Incorrect Payrate	A-59
16	California State University at San Marcos	Time Base Approval	Reduced Payrate	A-63
17	State Compensation Insurance Fund	Time Base Effective Date	Additional Compensation Payrate Adjustments	A-67
18	California State Polytechnic University at San Luis Obispo	Time Base Approval	None	A-71
19	California State University at San Jose	Time Base Approval	Additional Compensation Reduced Payrate Incorrect Payrate	A-73
20	Department of California Highway Patrol	Time Base Effective Date	Additional Compensation	A-77
21	Department of Food and Agriculture 15th District Agricultural Association	Time Base Effective Date	Payrate Increase Excessive Payrate Payrate Adjustments Full-Time Payrate	A-79
22	Department of Food and Agriculture 46th District Agricultural Association	Time Base Effective Date	Payrate Increase	A-83
23	Housing Authority of the County of Kern	Effective Date	Additional Compensation Incorrect Payrate	A-87
24	City of Long Beach	Approval Revision Date	Additional Compensation Payrate Increase	A-91
25	City of Carson	None	None	A-95
26	City of Palmdale	None	Payrate Increase	A-97
27	Public Transportation Services Corporation	Time Base Approval	Payrate Increase	A-99
28	County of Madera	None	Additional Compensation Full-Time Payrate	A-103
29	City of Mill Valley	Time Base	None	A-107
30	City of Seaside	Time Base	Reduced Payrate	A-111
31	City of Pacific Grove	Effective Date Revision Date	Additional Compensation	A-115
32	City of Soledad	None	Reduced Payrate	A-119
33	Housing Authority of the City of Alameda	Position Title	None	A-121
34	City of Oroville	Approval Position Title	Additional Compensation Payrate Increase Reduced Payrate	A-123
35	County of Colusa	Effective Date Position Title	Reduced Payrate	A-127

#	Agency	Pay Schedule Exception Type	Payrate Exception Type	Appendix Page Number
36	County of Glenn	Position Title	Additional Compensation Payrate Increase	A-131
37	Housing Authority of the City of Eureka	Time Base	Additional Compensation	A-135
38	Monterey Regional Waste Management District	Effective Date	Additional Compensation	A-139
39	City of Nevada City	None	Payrate Increase Excessive Payrate Payrate Adjustments	A-141
40	City of Anaheim	Time Base Revision Date	Payrate Adjustments	A-145
41	City of Newport Beach	Approval	Reduced Payrate	A-149
42	City of Rocklin	None	None	A-153
43	City of Lake Elsinore	Time Base Effective Date	Additional Compensation Payrate Adjustments Reduced Payrate	A-155
44	Western Riverside Council of Governments	Time Base Approval	Payrate Increase Excessive Payrate Payrate Adjustments	A-159
45	University Enterprises, Inc.	Approval	Additional Compensation Payrate Increase	A-163
46	Omnitrans	Time Base	Additional Compensation Payrate Increase Payrate Adjustments	A-167
47	City of San Bernardino	Time Base Payrate	Payrate Increase	A-171
48	Big Bear Municipal Water District	Effective Date	Additional Compensation Excessive Payrate	A-175
49	West Valley Water District	Position Title	None	A-179
50	City of Adelanto	Time Base Effective Date	Additional Compensation Payrate Increase	A-183
51	Crestline Village Water District	Approval	Additional Compensation	A-187
52	San Mateo County Harbor District	Time Base	None	A-191
53	City of Solvang	None	Payrate Increase	A-193
54	County of Santa Clara	Approval	None	A-197
55	City of Santa Clara	Effective Date	Additional Compensation Excessive Payrate	A-201
56	County of Santa Cruz	Approval Effective Date Revision Date	None	A-205
57	Fall River Valley Community Services District	Time Base Effective Date	Excessive Payrate	A-207
58	City of Tullake	None	None	A-211
59	City of Cotati	None	Additional Compensation	A-213

#	Agency	Pay Schedule Exception Type	Payrate Exception Type	Appendix Page Number
60	Yolo Emergency Communications Agency	None	Pay Schedule	A-215
61	City of Patterson	Time Base	Additional Compensation Excessive Payrate	A-217
62	City of Rancho Cucamonga	None	None	A-221
63	El Dorado County Transit Authority	Time Base Effective Date	Additional Compensation	A-223
64	County of El Dorado	Approval	None	A-225

## Other Matters

OFAS identified other matters that were outside the scope of this review. Specifically, we identified four agencies that may have reported overtime, reported payrates for work performed by employees at another agency, cashed out employees' unused sick leave and reported the same unused sick leave for additional service credit, and reported incorrect stipends for board members. These matters were discussed with the agencies and also included in the agencies' reports in Appendix A, pages A-7, A-75, A-139, and A-183. OFAS encourages the agencies to work with CalPERS to ensure the other matters identified above are resolved.

## Conclusion

Based on the information reviewed, OFAS noted instances of non-compliance with the PERL for sampled active and retired members reported payrates. The non-compliance and reporting exceptions included pay schedules elements, additional compensation in the payrate, excessive and reduced payrates, payrate adjustments, full-time payrates, non-reportable payrates, and incorrect payrates.

Sample testing procedures provide reasonable, but not absolute, assurance that the agencies' complied with the specific provisions of the PERL and their CalPERS contract. The results 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 results noted within the report. The appropriate CalPERS divisions will notify the agencies of the final determinations and provide appeal rights, if applicable, at that time.

Respectfully submitted,

Original signed by Beliz Chappuie

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

Staff: Alan Feblowitz, CFE, Assistant Division Chief  
Chris Wall, MBA, Senior Audit Manager  
Cheryl Livingston, Staff Management Auditor

## OAKLAND UNIFIED SCHOOL DISTRICT

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-001	July 1, 1949	Miscellaneous Safety - Police

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base / Effective Date / Date of Revisions / Position Title	The Agency did not maintain pay schedules in compliance with the Government Code and the CCR. Specifically, the pay schedule in effect November 17, 2016 for the Human Resources Job Classification did not include the time base and was not duly approved and adopted by the employer's governing body. Also, the pay schedules in effect July 1, 2016 for the Food Services and Para Educators did not include effective dates, dates of any revisions, and were not duly approved by the Agency's governing body. In addition, the Food Services pay schedule did not list all employee positions as required by CCR section 570.5.

## OAKLAND UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported a payrate that included additional compensation for one sampled employee who retired November 2016. Specifically, the employee had \$0.05 per hour for longevity pay added to base payrate in the pay period ended November 30, 2014. The incorrect reporting resulted in an increase to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
3	Payrates	Pay Schedule	The Agency reported payrates for a sampled active certificated employee that were not listed on the publicly available pay schedules. Specifically, the Agency reported hourly payrates of \$97.92 in pay period ended January 31, 2015, \$17.77 in pay period ended February 28, 2015, and \$13.99 in pay period ended July 31, 2015. In addition, the Agency reported daily payrates of \$228.48 in pay period ended August 31, 2015, \$1,034.40 and \$127.10 in the period ended September 30, 2015, and \$130.58 in the pay period ended October 31, 2015. However, the Agency did not provide pay schedules or any other documentation to support the reported payrates. The incorrect reporting resulted in reported payrates that were not in compliance with Government Code section 20636.1.
4	Payrates	Excessive Payrates	The Agency reported excessive payrates for a sampled active certificated employee. Specifically, the Agency reported a daily payrate of \$152.71 which is equivalent to a monthly payrate of \$3,308.72, instead of the correct monthly payrate of \$2,582.19. The Agency's records indicate the employee worked 186 days, six hours per day, during 11 months of the year, from August until June. The Agency should have reported a monthly payrate of \$2,582.19 for each of the 11 months worked ( $\$28,404.06 / 11 = \$2,582.19$ ). Instead, the Agency reported a daily payrate of \$152.71 along with 40 hours as the scheduled work week hours which resulted in a payrate reported equivalent to a monthly payrate of \$3,308.72. In addition, the Agency reported a monthly payrate of \$2,919.66 for the employee in the pay period ended June 30, 2016. The Agency incorrectly divided the annual payrate \$29,196.57 by 10 months and reported a monthly payrate of \$2,919.66. The correct monthly payrate to report for this pay period was \$2,654.23. Certificated employees receive one year of service credit per fiscal year for an academic year of service per Government Code section 20962. To ensure that certificated employees reported payrates are accurate and they receive one year of service credit for an academic year, the Agency should report monthly or base payrates pursuant to Government Code sections 20636.1, 20962 and CCR section 570.5.

## OAKLAND UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
5	Payrates	Payrate Increase	The Agency reported an incorrect payrate for the same sampled active employee noted in Observation 4. Specifically, the employee received a payrate increase from a daily payrate of \$152.71 to \$156.97 in the middle of the pay period ended January 31, 2016; however, the Agency reported the higher daily payrate of \$156.97 for the entire pay period. The Agency should have reported both the old and the new payrate with the corresponding periods. The incorrect reporting resulted in payrates reported that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.
6	Payrates	Excessive Payrates	The Agency reported excessive payrates for two sampled employees, one active and one who retired November 2016. Specifically, for the active employee the Agency incorrectly added \$0.85 per hour to the employee's base payrate in the pay period ended May 31, 2106, which the Agency stated was due to an error on the employee's timesheet, and added \$0.16 per hour in the pay period ending October 31, 2016 due to a payroll system error. For the retired employee, the Agency incorrectly added \$0.10 per hour to the employees base payrate in the pay periods ended January 31, 2106 and September 31, 2016; however, the Agency could not determine the reason for the incorrect reporting. The incorrect reporting resulted in an increase to the employees reported payrates that were not in compliance with Government Code section 20636.1.
7	Payrates	Payrate Adjustments	The Agency used an incorrect payrate while reporting a retroactive adjustment for a sampled employee who retired in November 2016. Specifically, the Agency reported an hourly payrate of \$8.34 in the pay period ended November 30, 2014; however, the \$8.34 was earnings for longevity pay. In addition, the Agency reported the retroactive adjustment as a prior period adjustment. The Agency should have reported the employee's longevity pay as retroactive special compensation adjustment with an hourly payrate of \$16.31. The incorrect reporting resulted in a decrease to the employees reported monthly payrates and an increase to the reported hourly payrate that were not in compliance with Government Code section 20636.1.

## OAKLAND UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
8	Payrates	Non-Reportable Payrate	The Agency incorrectly reported overtime for a sampled active employee in pay period ended August 31, 2016. Specifically, the Agency reported an hourly payrate of \$78.00; however, the \$78.00 was compensation paid for working overtime. The incorrect reporting resulted in a payrate reported that should have been excluded per Government Code sections 20635.1 and 20636.1.

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### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

## OAKLAND UNIFIED SCHOOL DISTRICT

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency did not provide a response to the report.

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**ALAMEDA CITY UNIFIED SCHOOL DISTRICT****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
	3P17-002	July 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Pay Schedule	Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedules in effect July 1, 2016 for the California School Employees Association (CSEA) 860 Food Services and the Executive Cabinet/ Administrative and Supervisory/ Confidential/ Licensed/ Unrepresented groups did not include the time base for hourly and annual payrates as required by CCR section 570.5.

## ALAMEDA CITY UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for three sampled employees, two active and one who retired in February 2015. The retiree and one active employee had longevity pay added to their base payrate, and the variances ranged from \$1.24 to \$2.60 per hour. The second active employee had educational incentive pay added to the base payrate, and the variances ranges from \$125.88 to \$134.25 per month. The incorrect reporting resulted in increases to the employees' reported payrates that were not in compliance with Government Code section 20636.1.
3	Payrates	Full-time Payrate	The Agency did not report full-time payrates for three sampled classified employees, one active employee, one employee who retired in February 2015 and another employee who retired in October 2015. Specifically, the reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, the Agency reported a monthly payrate of \$4,006.56 for one of the retired employees in the pay period ended September 30, 2014; however, the reported monthly payrate should have been \$4,243.20. The payrates reported for each sampled employee reflected a workweek of less than 40 hours and the payrates were not based on all 12 months of the year. This resulted in decreases to the employees' reported monthly payrates that were not in compliance with Government Code section 20636.1.
4	Payrates	Excessive Payrate	The Agency reported excessive payrates due to payroll system errors for two sampled employees, one who retired in February 2015 and another who retired in October 2015. Specifically, the Agency reported a monthly payrate for the first retired employee that was tripled in the pay period ended September 30, 2014. The Agency reported a monthly payrate of \$7,338.29; however, the Agency should have reported a monthly payrate of \$2,407.60. CalPERS records show that the incorrect reporting occurred from September 30, 2014 through February 26, 2015. The excessive payrate was within the highest final compensation period and used to calculate the employees final compensation. For the second retired employee, the Agency reported a monthly payrate that was doubled in the pay period ended August 31, 2014. The Agency reported a monthly payrate of \$8,013.12; however, the Agency should have reported a monthly payrate of \$4,243.20. CalPERS records showed that the incorrect reporting only occurred in the August 2014 pay period; however, reporting was in the highest final compensation period and used to calculate the employee's final compensation. The incorrect reporting resulted in increases to

## ALAMEDA CITY UNIFIED SCHOOL DISTRICT

Area	Exception	Observation
		the employees' reported payrates that were not in compliance with Government Code section 20636.1.
5	Payrate Adjustments	The Agency used an incorrect payrate and earned periods while reporting salary adjustments for two employees, one active and one who retired in October 2015. Specifically, for the retired employee, the Agency reported the employee's retroactive earnings of \$4,435.20 as payrate in the pay period ended February 28, 2014. The Agency should have reported a monthly payrate of \$4,222.40 for the periods covered by the retroactive salary adjustment, July 1, 2013 through February 25, 2014. Furthermore, the Agency reported the retroactive salary adjustment as a prior period adjustment. For the active employee, the Agency reported an incorrect payrate for the prior period adjustment in the pay period ended September 30, 2016. The Agency reported a monthly payrate of \$3,874.44; however, the Agency should have reported a monthly payrate of \$3,594.93. The retired employee's reported payrate was understated and the active employee's reported payrate was overstated and they were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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

## ALAMEDA CITY UNIFIED SCHOOL DISTRICT

- Not reference another document in lieu of disclosing the payrate.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Other Matters

1	Overtime	The Agency may have reported overtime earnings for an active employee. The employee was a certificated employee and reported to CalPERS as full-time; however, the Agency reported additional earnings that exceeded what was considered full-time in the pay periods ended October 31, 2015 and April 30, 2016.
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### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency agreed with the Observations noted in the report.

## COUNTY SCHOOL SERVICE – CONTRA COSTA COUNTY SCHOOLS

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
	3P17-003	July 1, 1948	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect July 1, 2016 for the Management/Professional/Admin/Confidential Positions, was not approved as required by CCR section 570.5.

## COUNTY SCHOOL SERVICE – CONTRA COSTA COUNTY SCHOOLS

	Area	Exception	Observation
2	Payrates	Full-time Payrate	The Agency did not report a full-time payrate for a sampled classified employee who retired in July 2014. Specifically, the employee worked 6.5 hours per day in the pay period ended July 31, 2012 and the Agency reported a reduced monthly payrate of \$2,461.88. The Agency should have reported a monthly payrate of \$3,030 based on a 40-hour workweek for all months of the year as required by Government Code Section 20636.1. The incorrect reporting resulted in a decrease to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
3	Payrates	Payrate Adjustment	The Agency used incorrect payrates while reporting retroactive salary adjustments for three sampled employees, two active and one who retired in July 2014. Specifically, the retired employee received a monthly pay increase from \$3,210 to \$3,306 effective July 1, 2013; however, the Agency reported a monthly payrate of \$3,338. One of the active employees received a monthly pay increase from \$4,300 to \$4,472 effective July 1, 2015; however, the Agency reported a monthly payrate of \$5,629.58. The other active employee received a monthly pay increase from \$4,629 to \$4,814.16 effective July 1, 2015; however, the Agency reported a monthly payrate of \$5,769.42. The incorrect reporting resulted in increases to reported payrates that were not in compliance with Government Code section 20636.1.
4	Payrates	Payrate Increase	The Agency reported an incorrect payrate for a sampled active employee. Specifically, the Agency reported an incorrect payrate when the employee received a payrate increase in the middle of the pay period ended December 31, 2015. The Agency reported the employee's new payrate of \$5,283.25 for the entire pay period. The Agency should have reported the old payrate of \$4,814.16 from December 1, 2015 through December 6, 2015 and reported the new payrate from December 7, 2015 through December 31, 2015 with the corresponding earnings. The incorrect reporting resulted in an increase to the reported payrate that was not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

## COUNTY SCHOOL SERVICE – CONTRA COSTA COUNTY SCHOOLS

### Criteria

Under Government Code sections 20636, 20636.1 and/or 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

## COUNTY SCHOOL SERVICE – CONTRA COSTA COUNTY SCHOOLS

### Summarized Response

The Agency disagreed with Observation 1 and provided additional information. OFAS reviewed the information and concluded that the Observation will remain as stated.

## FRESNO UNIFIED SCHOOL DISTRICT

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-004	July 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the Teachers and Librarians pay schedule in effect July 1, 2015 and the Food Services pay schedule in effect July 1, 2016 did not include the time base for hourly and annual payrates as required by CCR section 570.5.
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for a sampled employee who retired in June 2016. Specifically, the employee had education incentive pay of \$18.18 and longevity pay of \$527.66 added to the monthly base payrate. The incorrect reporting resulted in increases to the employee's reported payrate that was not in compliance with Government Code section 20636.1.

## FRESNO UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
3	Payrates	Full-time Payrate	The Agency did not correctly report full-time payrates for two sampled active classified employees. Specifically, the reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, the Agency reported a monthly payrate of \$1,803.07 for one of the employees in the pay period ended January 31, 2015; however, the reported monthly payrate should have been \$2,237.73. The payrates reported for each sampled employee reflected a workweek of less than 40 hours and the payrates were not based on all 12 months of the year. The incorrect reporting resulted in decreases to the employees' reported payrates that were not in compliance with Government Code section 20636.1.
4	Payrates	Excessive Payrate	The Agency reported payrates that exceeded the maximum payrate listed in the pay schedule for the same sampled employee discussed in Observation 2. Specifically, the maximum amount listed on the pay schedule was based on 185 days worked in an academic year; however, the employee worked 195 days so the Agency multiplied the payrate by a factor of 1.11993 and reported the higher payrate. The Agency reported a monthly payrate of \$8,394.84 and they should have reported \$6,925.57 based on the existing 185 day pay schedule. The incorrect reporting resulted in an increase to the employees reported payrates that were not in compliance with Government Code section 20636.1.

### Criteria

Under Government Code sections 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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;

## FRESNO UNIFIED SCHOOL DISTRICT

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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with Observation 4 and provided additional information. OFAS reviewed the information and revised the Observation.

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## PANAMA-BUENA VISTA UNION ELEMENTARY SCHOOL DISTRICT

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
	3P17-005	July 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval/ Document/ Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and the CCR. Specifically, the pay schedule entitled "Confidential, Management and Administration Staff" was not approved by the Agency's governing body and it referenced another document in lieu of disclosing the payrate. In addition, the pay schedule for the California School Employees Association did not include a time base for the payrates as required by CCR section 570.5.

## PANAMA-BUENA VISTA UNION ELEMENTARY SCHOOL DISTRICT

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for two sampled employees, one active and one who retired in June 2017. Specifically, the employees had longevity pay added to their base payrate. The active employee had longevity pay of \$400 per month added to base payrate and increases to the retired employee's hourly base payrate ranged from \$1.15 to \$1.73 per hour. The incorrect reporting resulted in increases to the employees' reported payrates that were not in compliance with Government Code section 20636.1.
3	Payrates	Full-time Payrate	The Agency did not report full-time payrates for a sampled employee who retired in June 2017. Specifically, the employee's reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. The Agency reported a monthly payrate of \$2,588.08 for the retired employee in the pay period ended January 31, 2016; however, the correct monthly payrate to report was \$2,742.46. The payrates reported reflected a workweek of less than 40 hours and were not based on all 12 months of the year. The incorrect reporting resulted in a decrease to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
4	Payrates	Payrate Adjustments	The Agency did not report payrates in the periods earned for two sampled employees, one active and one who retired in June 2017. Specifically, the retired employee worked for the Agency in July 2015 with an hourly payrate of \$14.54 and September 2015 with an hourly payrate of \$11.34; however, the Agency reported the payrates to CalPERS when the compensation was paid to the employee in August 2015 and October 2015, respectively. In addition, the active employee received a three percent payrate increase from \$65.83 per hour to \$67.80 per hour that was retroactive to July 1, 2015; however, the Agency reported the payrates to CalPERS when the compensation was paid to the employee in August 2015. The incorrect reporting resulted in payrates reported that were not in compliance with Government Code section 20630 which states that when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

## PANAMA-BUENA VISTA UNION ELEMENTARY SCHOOL DISTRICT

	Area	Exception	Observation
5	Payrates	Incorrect Payrate	The Agency incorrectly reported payrates for two sampled active employees. Specifically, the Agency identified the employees' payrates as monthly instead of daily when reporting to CalPERS. For example, the Agency reported a monthly payrate of \$526.65 in the pay period ended July 31, 2015 and should have reported a daily payrate of \$526.65. The incorrect reporting resulted in reduction to the employees' reported payrates that were not in compliance with Government Code section 20636.1.
6	Payrates	Non-Reportable Payrate	The Agency incorrectly reported overtime for an active classified employee. Specifically, the Agency reported a daily payrate of \$125 in the July 2016 pay period and an hourly payrate of \$5.77 in the November 2016 pay period for additional time teaching a Saturday CPR class which was outside of the employee's regular work schedule. The employee was already compensated for working full-time and the additional pay would constitute overtime. Government Code section 20636.1 defines full-time employment for classified employees as 40 hours per week. Government Code section 20635 stipulates overtime shall be excluded for services performed in excess of the hours of work considered normal for employees on a full-time basis. The payrates reported for the sampled employee reflected a workweek of more than 40 hours, which resulted in an increase to the employee's reported monthly payrate not in compliance with Government Code section 20636.1.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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

## PANAMA-BUENA VISTA UNION ELEMENTARY SCHOOL DISTRICT

- 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

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency agreed with the Observations noted in the report.

**MONTEBELLO UNIFIED SCHOOL DISTRICT****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
	3P17-006	March 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

Sampled employees' payrate increases were reviewed for compliance with Government Code sections 20636.1, 7522.34(a) and corresponding sections of the CCR section 570.5 and no exceptions were noted.

**Criteria**

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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;

## MONTEBELLO UNIFIED SCHOOL DISTRICT

- 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.

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results outlined in this report are based on information made available or otherwise obtained at the time this report was prepared.

### Summarized Response

A response was not required because there were no Observations noted in the report.

## MONTEREY COUNTY SCHOOLS

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-007	July 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval/ Time Base/ Incorrect Payrates	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect March 1, 2015 for the 2014-15 Classified Salary Schedule was not approved and did not include the time base for the hourly and monthly payrates as required by CCR section 570.5. In addition, the pay schedule in effect July 1, 2015 for the 2015-16 Monterey County Office of Education did not list payrates based on a full-time workweek which is defined as 40 hours per week per Government Code section 20636.1.

## MONTEREY COUNTY SCHOOLS

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported a payrate that included additional compensation for an active employee. Specifically, the active employee had \$1.50 per hour for longevity pay added to base payrate in the pay period ended July 31, 2016. The incorrect reporting resulted in an increase to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
3	Payrates	Full-time Payrate	The Agency did not report full-time payrates for two sampled active employees. Specifically, the employees' reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, the Agency reported a monthly payrate of \$10,615 for one of the employees in the pay period ended November 30, 2016; however, the reported monthly payrate should have been \$12,968.80. The payrates reported reflected a workweek of less than 40 hours and were not based on all 12 months of the year. The incorrect reporting resulted in a decrease to the employees' reported payrates that were not in compliance with Government Code section 20636.1.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

## MONTEREY COUNTY SCHOOLS

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency agreed with the Observations noted in the report.

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## TUSTIN UNIFIED SCHOOL DISTRICT

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-008	March 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect July 1, 2016 for Certificated Represented Employees did not include the time base for annual payrates. In addition, the pay schedule entitled "Classified Non-Bargaining Salary Schedule" in effect for Fiscal Years 2012-13, 2013-14 and 2015-16 did not include the time base for hourly payrates and were not duly approved and adopted by the Agency's governing body as required by CCR section 570.5.

## TUSTIN UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for three sampled employees, two active and one who retired in January 2015. Specifically, one of the active employees and the retired employee had longevity pay added to their base payrate. The amounts ranged from \$.43 to \$.60 per hour for the active employee and \$207.00 to \$274.00 per month for the retired employee. The other active employee had a Masters Stipend added to their base payrate. The amounts ranged from \$222.20 to \$228.90 per month. The incorrect reporting resulted in an increase to the employees reported payrates that were not in compliance with Government Code section 20636.1.
3	Payrates	Excessive Payrate	The Agency reported excessive monthly payrates for a sampled active certificated employee. Specifically, the Agency added additional compensation for a Master's Stipend and also divided the annual salary by 10 months instead of 11 months. The base annual salary for the employee's position during the 2015-16 school year was \$85,948 and the employee worked 11 months during the year. The Agency reported a monthly base salary of \$8,594.80; however, the correct monthly payrate to report was \$7,813.45. The incorrect reported resulted in an increase to payrates reported that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.
4	Payrates	Full-Time Payrates	The Agency did not correctly report full-time payrates for a sampled classified employee who retired in January 2015. Specifically, the reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, the Agency reported a monthly payrate of \$4,022 for the employee in the pay period ended August 31, 2012; however, the reported monthly payrate should have been \$3,915.60. The payrates reported for the retired sampled employee reflected a workweek of less than 40 hours and the payrates were not based on all 12 months of the year. The incorrect reporting resulted in decreases to the employees reported payrates that were not in compliance with Government Code section 20636.1.

## TUSTIN UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
5	Payrates	Non-Reportable Payrate	The Agency reported a payrate that was not reportable for the active certificated employee noted in Observation 3. Specifically, the Agency reported an hourly payrate of \$25.40 for time the employee spent attending a three-day planning and personal development workshop in July 2015. The payrate reported was not the normal rate of pay or base pay of the member and the payrate was not listed in the Agency's publicly available pay schedule as defined in Government Code section 20636.1.
6	Payrates	Payrate Adjustments	The Agency did not report a retroactive salary adjustment covering all months worked by an active employee. Specifically, the employee received a three percent salary increase in March 2017 retroactive to July 1, 2016. The Agency reported a retroactive salary adjustment back to September 1, 2016; however, the employee began working during the school year in August 2016. The incorrect reporting resulted in payrates reported that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

**TUSTIN UNIFIED SCHOOL DISTRICT****Recommendation**

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

**Conclusion**

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

**Summarized Response**

The Agency partially disagreed with Observation 1, disagreed with Observation 4, and provided additional information. OFAS reviewed the information and revised Observation 4.

**SANTEE ELEMENTARY SCHOOL DISTRICT****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
	3P17-009	July 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for a sampled employee who retired in June 2015. Specifically, the employee had longevity pay added to base payrate in five sampled pay periods. For example, the Agency reported a monthly payrate of \$4,015.02 in the pay period ended September 30, 2013 and the correct monthly payrate to report was \$3,238. The incorrect reporting resulted in an increase to the employee's reported payrate that was not in compliance with Government Code section 20636.1.

**SANTEE ELEMENTARY SCHOOL DISTRICT**

	Area	Exception	Observation
2	Payrates	Excessive Payrate	The Agency incorrectly reported an excessive payrate when it reported a retroactive salary adjustment for an active classified employee. Specifically, the Agency reported a payrate of \$27.48 per hour between October 1, 2015 through March 31, 2016, which is an overtime payrate based on \$18.32 per hour. The incorrect reporting resulted in an increase to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
3	Payrates	Payrate Adjustments	The Agency used an incorrect payrate while reporting retroactive salary adjustments for a sampled active employee. Specifically, the Agency reported an incorrect payrate when the employee received a payrate increase in the middle of the pay period ended October 31, 2015. The Agency reported the active employee's new payrate of \$18.32 per hour for the entire pay period. The Agency should have reported the old hourly payrate of \$17.02 from October 1, 2015 through October 25, 2015 and reported the new hourly payrate of \$18.32 from October 26, 2015 through October 31, 2015. The incorrect reporting resulted in an increase to reported payrates that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

**Criteria**

Under Government Code sections 20636.1 and/or 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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

## SANTEE ELEMENTARY SCHOOL DISTRICT

- Not reference another document in lieu of disclosing the payrate.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency did not indicate agreement or disagreement with the Observations noted in the report.

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**LOMPOC UNIFIED SCHOOL DISTRICT****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
	3P17-010	December 1, 1948	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Pay Schedule	Approval / Revision Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect July 1, 2014 for the classified bargaining unit was not approved by the Agency's governing body and did not indicate revision dates. In addition, the pay schedule in effect July 1, 2015 for teachers & nurses did not indicate a time base for annual payrates as required by CCR section 570.5.

**LOMPOC UNIFIED SCHOOL DISTRICT**

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency incorrectly reported payrates that included additional compensation for one sampled active employee. The employee had out-of-class pay and longevity pay added to base payrate and the amounts ranged from \$0.47 to \$2.02 per hour. The incorrect reporting resulted in an increase to the employee's reported payrates that were not in compliance with Government Code section 20636.1.
3	Payrates	Full-Time Payrate	The Agency did not correctly report full-time payrates for an active sampled classified employee. Specifically, the reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, the Agency reported a monthly payrate of \$2,281.14 for the pay period ended September 30, 2013; however, the reported monthly payrate should have been \$3,026. The payrates reported for the sampled employee reflected a workweek of less than 40 hours and the payrates were not based on all 12 months of the year. This resulted in a decrease to the employee's reported monthly payrates that were not in compliance with Government Code section 20636.1.
4	Payrates	Excessive Payrates	The Agency reported excessive payrates for two full-time certificated employees, one active and one who retired in June 2016. Specifically, the Agency incorrectly divided the annual salaries by 10 months instead of by 11 months to report payrates for each of the months worked. For example, the base annual salary for the retired employee's position during the 2014-15 academic year was \$72,254 and the employee worked during 11 months. In the pay period ended September 30, 2014 the Agency reported a monthly payrate of \$7,225.40; however, the correct monthly payrate to report was \$6,568.55. The payrates were not reported for each monthly pay period as earned and increased the employee's reported monthly payrates. The payrates were not reported in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

## LOMPOC UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
5	Payrates	Excessive Payrates	<p>The Agency reported excessive payrates for two certificated employees, one active and one who retired in June 2016. Specifically, the Agency divided the employees' annual salary by 185 days worked per year instead of 11 months worked per year. For the active employee, the Agency reported a daily payrate of \$441.48 along with 40 hours as the scheduled workweek hours which resulted in a payrate reported equivalent to a monthly payrate of \$9,565.40. The employee's annual payrate listed in the pay schedule was \$81,670, and the Agency should have divided the annual payrate by each of the 11 months worked and reported a monthly payrate of \$7,424.55 (<math>\\$81,670 / 11 \text{ months} = \\$7,424.55</math>). In addition, the employee received 0.87 years of service credit in Fiscal Year 2015-16 rather than a full year. Certificated employees receive one year of service credit per fiscal year for an academic year of service per Government Code section 20962. For the retired employee, the Agency reported a daily payrate of \$406.17 along with 40 hours as the scheduled workweek hours which resulted in a payrate reported equivalent to a monthly payrate of \$8,800.57. The employee's annual payrate listed in the pay schedule was \$75,145 and the employee worked 185 days during 11 months of the year, from August through June. The Agency should have reported a monthly payrate of \$6,831.36 for each of the eleven months worked (<math>\\$75,145 / 11 \text{ months} = \\$6,831.36</math>). In addition, the employee received 0.87 years of service credit in Fiscal Year 2015-16 rather than a full year. Furthermore, the excessive payrates were within the highest final compensation period and were used to calculate the employee's final compensation. As a result, the employee's retirement allowance was overstated. To ensure that certificated employees' reported payrates are accurate and they receive one year of service credit for an academic year, the Agency should report monthly or base payrates as defined in Government Code sections 20636.1, 20962 and CCR section 570.5.</p>

**LOMPOC UNIFIED SCHOOL DISTRICT**

	Area	Exception	Observation
6	Payrates	Payrate Adjustments	The Agency did not report payrate adjustments in the periods earned for an active classified employee. For example, the Agency reported a retroactive salary adjustment with a monthly payrate of \$3,249 for the period September 1, 2014 to May 31, 2015; however, the effective date of the pay increase was July 1, 2014. The Agency should have reported the payrate for the corresponding periods the employee worked in the position. The incorrect reporting resulted in payrates reported that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.
7	Payrates	Reduced Payrate	The Agency reported an incorrect payrate for an active classified employee. Specifically, the Agency reported a monthly payrate of \$2,824 in the pay period ended July 31, 2013; however, the Agency should have reported a monthly payrate of \$2,895. The Agency explained they reported a payrate in error that was one step above the summer position payrate on the classified bargaining unit pay schedule. The incorrect reporting resulted in a decrease to the employee's reported payrate that was not in compliance with Government Code section 20636.1.
8	Payrates	Payrate Adjustments	The Agency reported incorrect payrates for 22 retroactive special compensation adjustments for two sampled employees, one active classified employee and one certificated employee who retired in June 2016. Specifically, in 21 instances the Agency reported amounts paid for out-of-class pay, longevity pay, and a master stipend pay as the monthly payrate; however, the payrates listed in the pay schedule should have been used. The incorrect payrates ranged from \$1.60 to \$252 per month. In the one other instance the Agency reported the amount paid for out-of-class pay as an hourly payrate. The payrate reported was \$65.28 and the correct amount to report was \$17.46 per hour. In addition, the Agency reported an incorrect effective date for a retroactive special compensation adjustment. The Agency reported a \$21.54 monthly payrate effective September 1, 2014; however the correct effective date was August 15, 2014. The incorrect reporting resulted in a decrease to the employees' reported monthly payrates and an increase to the reported hourly payrate that were not in compliance with Government Code section 20636.1. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

## LOMPOC UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
			when reported or paid.
9	Payrates	Non-Reportable Payrate	The Agency incorrectly reported payrates for overtime hours for two full-time certificated employees, one active and one who retired in June 2016. Specifically, the Agency reported payrates for two full-time certificated employees who were contracted to work 185 days in the academic year. The Agency reported a daily payrate of \$105 for the active employee to work two additional days for classroom preparation during August 2015 that was outside of the 185 contracted days. In addition, the Agency reported an hourly payrate of \$26.95 for the retired employee to attend training during August 2015 that was outside the 185 contracted days. Government Code section 20635.1 stipulates compensation for overtime is excluded for services performed in excess of the hours of work considered normal for employees on a full-time basis and if a member concurrently renders service in two or more positions, one of which is full-time, service in the part-time position shall constitute overtime.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

**LOMPOC UNIFIED SCHOOL DISTRICT****Recommendation**

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

**Conclusion**

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

**Summarized Response**

The Agency indicated agreement with the Observations noted in the report and has started to resolve the Observations.

**RINCON VALLEY UNION ELEMENTARY SCHOOL DISTRICT****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
	3P17-011	March 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Pay Schedule	Approval / Revision Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect July 1, 2015 for the Rincon Valley Union School District Classified group, was not approved by the Agency's governing body, did not indicate revision dates, and did not include the time base for hourly payrates as required by CCR section 570.5.

**RINCON VALLEY UNION ELEMENTARY SCHOOL DISTRICT**

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for three sampled employees, one active and two who retired in June 2016 and December 2016. Specifically, the employees had longevity pay added to their base payrate. The variances ranged from \$1.60 to \$5.09 per hour. The incorrect reporting resulted in an increase to the employees' reported payrates that were not in compliance with Government Code section 20636.1.
3	Payrates	Pay Schedule	The Agency reported a payrate for a position that was not listed on a pay schedule for one employee. Specifically, the Agency reported a payrate for the Summer Stock Clerk position in the pay period ended July 31, 2014; however, the position title was not listed on the pay schedule as defined in Government Code section 20636.1 and CCR section 570.5.

**Criteria**

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

**Recommendation**

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

## RINCON VALLEY UNION ELEMENTARY SCHOOL DISTRICT

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with Observation 2 noted in the report and provided additional information. OFAS reviewed the information and concluded that the Observation will remain as stated.

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## OAK PARK UNIFIED SCHOOL DISTRICT

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-012	January 1, 1949	Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedules in effect July 1, 2013 for Certificated employees and July 1, 2014 for pre-School employees did not include the time base as required by CCR section 570.5.

## OAK PARK UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
2	Payrates	Full-time Payrate	The Agency did not report full-time payrates for a sampled active classified employee in three pay periods. Specifically, the reported payrates were not based on a 40-hour workweek for all months of a year as required by Government Code section 20636.1. For example, in the pay period ended September 30, 2013 the Agency reported a monthly payrate of \$4,375.14; however, the reported monthly payrate should have been \$5,042.27. The payrates reported for the sampled employee reflected a workweek of less than 40 hours and the payrates were not based on all 12 months of the year. This resulted in an incorrect decrease to the employee's reported payrates and was not in compliance with Government Code section 20636.1.
3	Payrates	Excessive Payrate	The Agency reported excessive payrates for a certificated employee who retired in July 2014. Specifically, the Agency reported an hourly payrate of \$67.59 for the period August 2012 through June 2013; however, the equivalent monthly payrate was 70 percent higher than the correct monthly payrate of \$6,820.38. The employee's annual payrate listed in the pay schedule was \$75,024.19 and the employee worked 185 days, six hours per day, during 11 months of the year, from August through June. The Agency should have reported a monthly payrate of \$6,820.38 for each of the eleven months worked ( $\$75,024.19 / 11 \text{ months} = \$6,820.38$ ). Instead, the Agency reported an hourly payrate of \$67.59 along with 40 hours as the scheduled workweek hours. This resulted in a payrate reported equivalent to a monthly payrate of \$11,715.60 and the employee incorrectly receiving 0.652 years of service credit in Fiscal Year 2012-13 rather than a full year. Certificated employees receive one year of service credit per fiscal year for an academic year of service per Government Code section 20962. Furthermore, the excessive payrates were within the highest final compensation period and were used to calculate the employee's final compensation. As a result, the employee's retirement allowance was overstated. To ensure that certificated employees' reported payrates are accurate and they receive one year of service credit for an academic year, the Agency should report monthly or base payrates as defined in Government Code sections 20636.1, 20962 and CCR section 570.5.

## OAK PARK UNIFIED SCHOOL DISTRICT

	Area	Exception	Observation
4	Payrates	Pay Schedule	The Agency reported a payrate that was not listed on a pay schedule for the sampled employee discussed in Observation 3. Specifically, the Agency reported an hourly payrate of \$25.00 for six hours the employee was paid to drive a shuttle in July 2012; however, the Agency's pay schedule did not list the position or payrate as defined in Government Code section 20636.1 and CCR section 570.5.
5	Payrates	Payrate Increase	Payrates were incorrectly reported for a sampled active employee. Specifically, the employee received an hourly pay increase from \$15.40 to \$16.38 in the middle of the work period June 18 through July 24, 2013; however, the Agency reported an hourly payrate of \$15.90 for the pay period July 1 through July 31, 2013. In another instance, the employee received a payrate increase from \$16.38 to \$17.20 in the middle of the work period June 16 through July 1, 2014; however, the Agency reported an hourly payrate of \$16.38 for the pay period July 1 through July 31, 2014. The Agency should have reported both the old and the new payrate with the corresponding earnings for the period earned. The incorrect reporting resulted in payrates reported that were not in compliance with Government Code section 20636. Government Code section 20630 states when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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;

## OAK PARK UNIFIED SCHOOL DISTRICT

- 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with Observations 1, 2, 3 and 5 and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-013	January 1, 1932	State Miscellaneous Peace Officers - Fire Fighters State Safety

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Effective Dates / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule entitled "State of California Civil Service Pay Scale" and the "State of California Exempt Pay Scale" did not indicate the effective dates and did not include the time base for the payrates as required by CCR section 570.5.

## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for two sampled employees, one active and one who retired in November 2014. Specifically, the Agency added extended duty pay, recruitment pay, and education incentive pay to the active employee's base payrate in combined amounts of \$75 to \$2,514.25 per month and extended duty pay, recruitment and retention pay, and longevity pay to the retired employee's base payrate in combined amounts of \$1,426 to \$3,819.82 per month. The incorrect reporting resulted in an increase to the employees' reported payrates that were not in compliance with Government Code section 20636.
3	Payrates	Payrate Increase	The Agency reported incorrect payrates for two sampled active employees. Specifically, the employees received payrate increases in the middle of three pay periods and the Agency incorrectly reported the payrates and effective dates for the increases. The first sampled employee received an increase to base payrate from \$6,104 to \$7,903 per month effective March 23, 2015. The second sampled employee received an increase to base payrate from \$5,831 to \$6,963 per month effective March 1, 2016 and \$7,172 to \$12,808 per month effective January 12, 2017. The Agency reported the old and new monthly payrates for the entire pay periods instead of for the corresponding periods. The incorrect reporting resulted in an increase to the employees' reported payrates that were not in compliance with Government Code section 20636. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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;

## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

- 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency did not indicate agreement or disagreement with the Observations noted in the report, however, they provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

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## DEPARTMENT OF WATER RESOURCES

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-014	January 1, 1932	State Miscellaneous Peace Officers – Fire Fighters

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Effective Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and the CCR. Specifically, the pay schedule entitled "State of California Civil Service Pay Scale" did not indicate an effective date and did not include the time base for the payrates. In addition, pay letters did not include the time base for the payrates as required by CCR section 570.5.

## DEPARTMENT OF WATER RESOURCES

	Area	Exception	Observation
2	Payrates	Payrate Increase	The Agency reported incorrect payrates for a sampled active employee. Specifically, the employee received a monthly payrate increase from \$6,772 to \$9,813 effective May 14, 2015 and the Agency incorrectly reported the old and new payrates for the entire pay period instead of reporting the payrates during the correct periods earned. The incorrect reporting resulted in an increase to the employee's reported payrate that was not in compliance with Government Code section 20636. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

## DEPARTMENT OF WATER RESOURCES

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with the Observations noted in the report and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

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**CALIFORNIA STATE UNIVERSITY AT SAN BERNARDINO****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-015	January 1, 1932	State Miscellaneous Peace Officers – Fire Fighters

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the California State University pay schedules for Fiscal Years 2015-16 and 2016-17 were not approved by the Agency's governing body and the pay schedules did not include a time base for monthly and annual payrates as required by CCR section 570.5.

**CALIFORNIA STATE UNIVERSITY AT SAN BERNARDINO**

	Area	Exception	Observation
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation for two sampled employees, one active and one who retired in September 2016. Specifically, grant related instructional faculty award pay was added to base payrate for the sampled active employee in amounts that ranged from \$1,211 to \$1,363 per month, and a department chair stipend was added to base payrate for the retired sampled employee in amounts that ranged from \$1,589 to \$1,860 per month. The incorrect reporting resulted in an increase to the employees' reported payrates that were not in compliance with Government Code section 20636.
3	Payrates	Incorrect Payrate	The Agency incorrectly reported payrates and earned periods for a sampled active part-time employee. Specifically, the Agency reported payrates based on teaching units and did not report payrates during the correct periods earned. For example, the sampled employee taught a summer course from June 18, 2014 to July 29, 2014 and was paid \$4,611.20. The Agency divided the salary by four teaching units and reported a monthly payrate of \$1,152.80 for the period July 1, 2014 to July 28, 2014. The Agency should have reported the employee's full-time monthly payrate for the periods June 18, 2014 to June 30, 2014 and July 1 to July 28, 2014. The incorrect reporting resulted in a decrease to the employee's reported payrates that were not in compliance with Government Code section 20636. The incorrect reporting also resulted in payrates that were not reported during the correct periods earned. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.
4	Payrates	Reduced Payrate	The Agency incorrectly reported payrates for two sampled employees, one active and one who retired in September 2016. Specifically, the Agency reported understated payrates and reported payrates for months the employees did not work. The errors occurred because the Agency reported payrates over a 12-month period from July to June; however, the employees worked over a 10-month period from September to June. For example, the Agency reported a monthly payrate of \$8,075 based on a 12-month period for the pay period ended July 30, 2015 for the sampled active employee. The correct monthly payrate to report for working a 10-month period was \$9,690. For the sampled retired employee, the Agency reported a monthly payrate of \$8,415 based on a 12-month period for the pay period ended September 30, 2014. The correct monthly payrate to report for working a 10-month

## CALIFORNIA STATE UNIVERSITY AT SAN BERNARDINO

	Area	Exception	Observation
			<p>period was \$10,098. The incorrect reporting resulted in a decrease to the employees' reported payrates that were not in compliance with Government Code section 20636. The incorrect reporting also resulted in payrates reported for periods the employees' did not work. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.</p>

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

**CALIFORNIA STATE UNIVERSITY AT SAN BERNARDINO****Conclusion**

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

**Summarized Response**

The Agency disagreed with Observations 1 and 2 and provided additional information. Additionally, the Agency did not indicate an agreement or disagreement with Observation 4 and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

**CALIFORNIA STATE UNIVERSITY AT SAN MARCOS****Objective and Scope**

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-016	January 1, 1932	State Miscellaneous Peace Officers – Fire Fighters

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code (GC) sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

**Results in Brief**

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. The California State University pay schedules for Fiscal Years 2014-15 and 2016-17 were not approved by the Agency's governing body and the pay schedules did not include a time base for monthly and annual payrates as required by CCR section 570.5.

## CALIFORNIA STATE UNIVERSITY AT SAN MARCOS

	Area	Exception	Observation
2	Payrates	Reduced Payrate	<p>The Agency incorrectly reported payrates for two sampled employees, one active and one who retired in June 2016. Specifically, the Agency reported understated payrates and payrates for months the employees did not work. The errors occurred because the Agency reported payrates over a 12-month period from July to June; however, the employees worked over a 10-month period from August to May. For the sampled active employee, the Agency reported a monthly payrate of \$7,161 based on a 12-month period for the pay period ended January 29, 2015. The correct monthly payrate to report for working a 10-month period was \$8,593.20. For the sampled retired employee, the Agency reported a monthly payrate of \$4,419 based on a 12-month period for the pay period ended May 31, 2014. The correct monthly payrate to report for working a 10-month period was \$5,302.80. Additionally, for the sampled retired employee the Agency reported a monthly payrate of \$4,490 for the pay period ended July 30, 2014. However, the employee did not work during this month and therefore there was no payrate to report. The incorrect reporting resulted in decreases to the employees reported payrates that were not in compliance with Government Code section 20636. The incorrect reporting also resulted in payrates reported for periods the employees did not work. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.</p>

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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;

## CALIFORNIA STATE UNIVERSITY AT SAN MARCOS

- 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with the Observations noted in the report and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

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## STATE COMPENSATION INSURANCE FUND

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-017	January 1, 1932	State Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Effective Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule entitled "State of California Civil Service Pay Scale" did not indicate an effective date and did not include the time base for the payrates as required by section 570.5.
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation. Specifically, for one sampled employee who retired in December 2016, attorney differential pay and attorney in excluded class pay was added to the base payrate in amounts that varied from \$498.20 to \$1,039.32 per month. The incorrect reporting resulted in an increase to the employee's reported payrates that were not in compliance with Government Code section 20636.

## STATE COMPENSATION INSURANCE FUND

	Area	Exception	Observation
3	Payrates	Payrate Adjustment	The Agency used an incorrect payrate while reporting a retroactive salary adjustment for a sampled active employee. Specifically, the Agency reported a payrate that was greater than the employee's authorized payrate. The Agency reported a monthly payrate of \$10,799 for the pay period ended June 30, 2016; however, the employee's authorized monthly payrate was \$9,384. The Agency was unable to provide an explanation for the incorrect reporting. The incorrect reporting resulted in an increase to the employee's reported payrates that was not in compliance with Government Code section 20636.

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

## STATE COMPENSATION INSURANCE FUND

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with Observations 1 and 2 and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

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## CALIFORNIA STATE POLYTECHNIC UNIVERSITY AT SAN LUIS OBISPO

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-018	January 1, 1932	State Miscellaneous Peace Officers – Fire Fighters

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. The California State University pay schedules for Fiscal Years 2015-16 and 2016-17 were not approved by the Agency's governing body and the pay schedules did not include a time base for monthly and annual payrates as required by CCR section 570.5.

## CALIFORNIA STATE POLYTECHNIC UNIVERSITY AT SAN LUIS OBISPO

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with the Observation noted in the report. OFAS reviewed the disagreement and concluded that the Observation will remain as stated.

## CALIFORNIA STATE UNIVERSITY AT SAN JOSE

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-019	July 1, 1932	State Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Approval / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and the CCR. Specifically, the California State University pay schedules for Fiscal Years 2013-14, 2014-15, 2015-16, and 2016-17 were not approved by the Agency's governing body and the pay schedules did not include a time base for monthly and annual payrates as required by CCR section 570.5.
2	Payrates	Additional Compensation	The Agency incorrectly reported payrates that included additional compensation for a sampled employee who retired in December 2015. Specifically, a department chair stipend was added to base payrate in amounts that ranged from \$1,065 to \$1,087 per month. The incorrect reporting resulted in an increase to the employees reported payrates that were

## CALIFORNIA STATE UNIVERSITY AT SAN JOSE

	Area	Exception	Observation
			not in compliance with Government Code section 20636.
3	Payrates	Incorrect Payrate	<p>The Agency reported incorrect payrates and did not report payrates for the period earned for two employees, one active and one who retired in June 2014. Specifically, the Agency reported partial payrates based on one course unit for teaching summer courses instead of full-time payrates during the correct period earned. In addition, the employees worked less than full-time during the academic year; therefore, the compensation may be reportable to CalPERS. For the active employee, the Agency reported a monthly payrate of \$1,956.50 with earnings of \$3,913 for the period July 31, 2015 to August 7, 2015. The monthly payrate reported was for teaching a summer course from July 6, 2015 to August 7, 2015 consisting of two units. In addition, the Agency reported a monthly payrate of \$1,716.40 with earnings of \$8,582 for the period August 2, 2016 to August 12, 2016. The monthly payrate reported was for teaching a summer course from June 6, 2016 to August 12, 2016 consisting of five units. For the retired employee, the Agency reported a monthly payrate of \$1,696.50 with earnings of \$2,205.45 for the period July 1, 2012 to July 5, 2012. The monthly payrate reported was for teaching a summer course from June 4, 2012 to July 6, 2012 consisting of 1.3 units. In addition, the Agency reported a monthly payrate of \$1,690 with earnings of \$2,197 for the period July 1, 2013 to July 4, 2013. The monthly payrate reported was for teaching a summer course from June 3, 2012 to July 5, 2012 consisting of 1.3 units. Payrates were not available listing the full-time payrate for teaching the summer courses. The incorrect reporting resulted in a reported payrate that was not in compliance with Government Code section 20636. The incorrect reporting also resulted in a payrate that was not reported for the periods earned. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.</p>

## CALIFORNIA STATE UNIVERSITY AT SAN JOSE

	Area	Exception	Observation
4	Payrates	Reduced Payrate	<p>The Agency incorrectly reported payrates for four sampled employees, two active, one who retired in June 2014, and one who retired December 2015. Specifically, the Agency reported understated payrates and reported payrates for months the employees did not work. The errors occurred because the Agency reported payrates over a 12-month period from July to June; however, the academic year calendars and the sampled employees personnel records indicated the employees worked in positions that worked a 10-month period from August to May. For example, the Agency reported a monthly payrate based on a 12-month period of \$10,810 for the pay period ended January 30, 2014 for a sampled active employee. The correct monthly payrate to report for working a 10-month period was \$12,972. For a sampled employee who retired in June 2014, the Agency reported a monthly payrate based on a 12-month period of \$4,225 for the pay period ended July 31, 2012. However, personnel records indicated the employee did not work in this position during this month and therefore there was no payrate to report. The incorrect reporting resulted in a decrease to the employee's reported payrates that were not in compliance with Government Code section 20636. The incorrect reporting also resulted in payrates reported for periods the employees did not work. Government Code section 20630 states when compensation is reported to the board the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.</p>

### Criteria

Under Government Code sections 20636, 20636.1 and 7522.34(a), payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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

## CALIFORNIA STATE UNIVERSITY AT SAN JOSE

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.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Other Matters

1	Error	CalPERS records showed a monthly payrate of \$5,118 was reported for a sampled employee who retired in June 2016 for the pay period ended January 30, 2014. However, the Agency did not have any records of reporting or the employee receiving that payrate. CalPERS records also showed the employee worked at California State University at San Francisco (SFSU) and a monthly payrate of \$5,118 was reported by SFSU in the pay period ended December 31, 2013.
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### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with Observations 1 and 2, agreed with Observation 3, and did not indicate agreement or disagreement with Observation 4. The Agency provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

## DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
██████████	3P17-020	January 1, 1932	Miscellaneous California Highway Patrol State Safety

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Effective Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule entitled "State of California Civil Service Pay Scale" did not indicate an effective date and did not include the time base for the payrates as required by CCR section 570.5.
2	Payrates	Additional Compensation	The Agency reported payrates that included additional compensation. Specifically, the Agency added bilingual pay to base payrate in the amount of \$100 per month for an employee who retired in October 2015. The incorrect reporting resulted in an increase to the reported payrates that were not in compliance with Government Code section 20636.

## DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

### Criteria

Under Government Code sections 20636, 20636.1 and/or 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.
- Not reference another document in lieu of disclosing the payrate.

### Recommendation

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

### Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

### Summarized Response

The Agency disagreed with the Observations noted in the report and provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

## DEPARTMENT OF FOOD AND AGRICULTURE 15<sup>TH</sup> DISTRICT AGRICULTURAL ASSOCIATION

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
	3P17-021	January 1, 1932	State Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Time Base / Effective Dates	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule in effect July 1, 2015 for Bargaining Unit 12 Craft and Maintenance employees did not include a time base for monthly payrates. In addition, the pay schedule entitled "State of California Civil Service Pay Scale" did not include the time base for monthly payrates or an effective date as required by CCR section 570.5.

## DEPARTMENT OF FOOD AND AGRICULTURE 15<sup>TH</sup> DISTRICT AGRICULTURAL ASSOCIATION

	Area	Exception	Observation
2	Payrates	Full-time Payrate	The Agency reported reduced payrates for a sampled employee who retired in February 2015. Specifically, the Agency reported monthly payrates of \$2,448.60 and \$2,567.20 for the pay period ended March 31, 2013. At the time, the employee worked a time base of 80 percent of full-time and was also on a compensation reduction program known as the Personal Leave Program of 2012 (PLP 2012). The Agency should have reported payrates of \$3,060.74 and \$3,209 respectively to ensure the employee received the appropriate amount of service credit and future retirement benefits. The incorrect reporting resulted in a reduction to the employee's reported payrates that were not in compliance with Government Code section 20636.
3	Payrates	Excessive Payrate	The Agency reported an excessive payrate for the same retired employee noted in Observation 2. Specifically, the Agency reported monthly payrates of \$3,060.74 and \$3,850 for the pay period ended June 30, 2013. During this pay period the employee continued to work under the PLP 2012; however, they worked a time base of 100 percent of full-time. The first monthly payrate reported of \$3,060.74 was correct; however, the correct second monthly payrate to report should have been \$3,209. The incorrect reporting resulted in an increase to the employee's reported payrates that were not in compliance with Government Code section 20636.
4	Payrates	Payrate Adjustment	The Agency used incorrect payrates while reporting prior period adjustments for the same retired employee noted in Observation 2. Specifically, the Agency reported a prior period adjustment with a monthly payrate of \$306.07 for the pay period ended April 30, 2013. The correct monthly payrate to report was \$3,060.74. In addition, the Agency reported a prior period adjustment with a monthly payrate of \$3,401 for the pay period ended August 31, 2013. The correct monthly payrate to report was \$3,209. The incorrect reporting resulted in a variance to the employee's reported payrates that were not in compliance with Government Code section 20636.

## DEPARTMENT OF FOOD AND AGRICULTURE 15<sup>TH</sup> DISTRICT AGRICULTURAL ASSOCIATION

	Area	Exception	Observation
5	Payrates	Payrate Increase	The Agency reported an incorrect payrate for a sampled employee who retired in December 2016. Specifically, the Agency reported an incorrect payrate when the employee received a payrate increase in the middle of the pay period ended October 31, 2015. The Agency reported a monthly payrate of \$2,532.55 for the entire pay period. The Agency should have reported the old payrate of \$2,088 from October 1, 2015 through October 14, 2015 and reported the new payrate of \$2,555 from October 15, 2015 through October 31, 2015 with the corresponding earnings. The incorrect reporting resulted in a variance to the reported payrates that were not in compliance with Government Code section 20636. Government Code section 20630 states when the compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when it is reported or paid.

### Criteria

Under Government Code sections 20636, 20636.1 and/or 7522.34, payrate is deemed as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal work hours, pursuant to 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.
- Not reference another document in lieu of disclosing the payrate.

**DEPARTMENT OF FOOD AND AGRICULTURE 15<sup>TH</sup> DISTRICT  
AGRICULTURAL ASSOCIATION****Recommendation**

The Agency should ensure reported payrates are granted and reported to CalPERS in compliance with the PERL. The Agency should work with the CalPERS Employer Account Management Division to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

Government Codes: § 20120, § 20121, § 20122, § 20160

**Conclusion**

OFAS limited this review to the areas specified in the objective and scope section of this report. Sample testing procedures provide reasonable, but not absolute, assurance that the Agency complied with the specific provisions of the PERL and CalPERS contract that were subject to this review. The results 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 with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Agency of the final determinations and provide appeal rights, if applicable, at that time.

**Summarized Response**

The Agency did not indicate agreement or disagreement with the Observations noted in the report; however, they provided additional information. OFAS reviewed the information and concluded that the Observations will remain as stated.

## DEPARTMENT OF FOOD AND AGRICULTURE 46<sup>TH</sup> DISTRICT AGRICULTURAL ASSOCIATION

### Objective and Scope

CalPERS ID	Job Number	Contract Date	Classification
	3P17-022	January 1, 1932	State Miscellaneous

The objective of our review was to determine whether increases to member payrates were granted to members and reported to CalPERS in compliance with the Public Employees' Retirement Law (PERL). Reporting active member payrates correctly is a necessary precursor to correctly calculating member benefits at retirement. Specifically, incorrect reporting could cause the following: miscalculation of a member's service credit, miscalculation of a member's retirement allowance, delays in processing a member's retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, and hardship to retired members due to a reduction in benefits.

Payrates must be reported to CalPERS in accordance with Government Code sections 20636, 20636.1, 7522.34(a) and corresponding sections of the California Code of Regulations (CCR) section 570.5. Specifically, payrate is deemed as the normal monthly rate of pay or base pay of the member paid pursuant to a publicly available pay schedule for services rendered on a full-time basis during normal working hours. The publicly available pay schedules must meet criteria listed in CCR section 570.5. Payrates cannot include additional compensation such as special compensation, must be correctly calculated, must be accurately reported for the period earned, and cannot be granted or awarded to a member in connection with or anticipation of separation from employment.

The review was limited to the examination of a sample of active and/or retired employee records for the period July 1, 2012 to June 30, 2017. Unless otherwise specified, the Office of Audit Services (OFAS) did not review the Agency's compliance with the PERL with regard to any areas outside the scope described herein, including, but not limited to, reported earnings, special compensation, payroll information, member contributions, membership enrollment, or employment after retirement.

### Results in Brief

	Area	Exception	Observation
1	Pay Schedule	Effective Date / Time Base	The Agency did not maintain pay schedules in compliance with the Government Code and CCR. Specifically, the pay schedule entitled "State of California Exempt Pay Scale" did not indicate an effective date and did not include the time base for the payrates as required by CCR section 570.5.