

# **Office of Audit Services**



## **Public Agency Review**

# **Moreno Valley Unified School District**

**CalPERS ID: 4187017037  
Job Number: SP15-034**

**June 2016**



California Public Employees' Retirement System  
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June 23, 2016

CalPERS ID: 4187017037  
Job Number: SP15-034

Francine Story, Interim Chief Business Official  
Moreno Valley Unified School District  
25634 Alessandro Blvd.  
Moreno Valley, CA 92553

Dear Ms. Story:

Enclosed is our final report on the results of the public agency review completed for the Moreno Valley Unified School District (Agency). Your written response, included as an appendix to the report, indicates agreement with the issues noted in the report.

In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your Agency. We appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original signed by Beliz Chappuie

BELIZ CHAPPUIE, Chief  
Office of Audit Services

Enclosure

cc: Board of Education, Moreno Valley Unified School District  
Board of Education, Riverside County Office of Education  
Risk and Audit Committee Members, CalPERS  
Matthew G. Jacobs, General Counsel, CalPERS  
Anthony Suine, Chief, BNSD, CalPERS  
Renee Ostrander, Chief, EAMD, CalPERS  
Carene Carolan, Chief, MAMD, CalPERS

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# MORENO VALLEY UNIFIED SCHOOL DISTRICT

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## RESULTS IN BRIEF

The objective of our review was to determine whether the Moreno Valley Unified School District (Agency) complied with applicable sections of the California Government Code (Government Code), California Public Employees' Pension Reform Act of 2013 (PEPRA), California Code of Regulations (CCR) and its contract with the California Public Employees' Retirement System (CalPERS).

The Office of Audit Services (OAS) noted the following findings and observation during the review. Details are noted in the Results section beginning on page three of this report.

- Pay schedule did not meet all of the Government Code and CCR requirements.
- Special compensation was not reported in accordance with the Government Code and CCR requirements.
- Retroactive adjustment was incorrectly reported.
- Member contributions were incorrectly paid and reported.
- Member reciprocal self-certification was not maintained.
- Observation: Agency records did not agree with my|CalPERS information.

OAS recommends the Agency comply with applicable sections of the Government Code, PEPRA, CCR and its contract with CalPERS. We also recommend the Agency work with the appropriate CalPERS divisions to resolve issues identified in this report.

## SCOPE

The Riverside County Schools, which includes the Agency, contracted with CalPERS effective July 1, 1949 to provide retirement benefits for local miscellaneous employees. By way of the Riverside County School's contract with CalPERS, the Agency agreed to be bound by the terms of the contract and the Public Employees' Retirement Law (PERL). The Agency also agreed to make its employees members of CalPERS subject to all provisions of the PERL.

As part of the CalPERS Board of Administration (Board) approved plan, OAS reviewed the Agency's compliance with the PERL and its contract related to compensation and payroll reporting. Additionally, OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement

No. 67: Financial Reporting for Pension Plans. The review was limited to the examination of the sampled employees, records, and pay periods from July 1, 2013 through June 30, 2014. OAS did not review the Agency's compliance with

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membership enrollment or employment after retirement. The review objectives and methodology are listed in Appendix A.

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## OFFICE OF AUDIT SERVICES REVIEW RESULTS

1: The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.

***Condition:***

The Agency did not have a pay schedule that met all of the Government Code and CCR requirements. Specifically, the Agency did not maintain a pay schedule that identified the position title and payrate for every position. The Agency provided two salary schedules, one of which did not identify the employee position titles.

Only compensation earnable as defined under Government Code Section 20636.1 and corresponding regulations can be reported to CalPERS and considered in calculating retirement benefits. For purposes of determining the amount of compensation earnable, a member's payrate is limited to the amount identified on a publicly available pay schedule. Per CCR Section 570.5, a pay schedule, among other things, must:

- Be duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
- Identify the position title for every employee position;
- Show the payrate as a single amount or multiple amounts within a range for each identified position;
- Indicate the time base such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
- Be posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
- Indicate an effective date and date of any revisions;
- Be retained by the employer and available for public inspection for not less than five years; and
- Not reference another document in lieu of disclosing the payrate.

Pay amounts reported for positions that do not comply with the payrate definition and pay schedule requirements cannot be used to calculate retirement benefits because the amounts do not meet the definition of payrate under Government Code Section 20636.1(b)(1). When an employer does not meet the requirements for a publicly available pay schedule, CalPERS, in its sole discretion, may determine an amount that will be considered to be payrate as detailed in CCR Section 570.5.

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***Recommendation:***

The Agency should ensure it has a pay schedule that meets all of the Government Code and CCR requirements.

The Agency should work with CalPERS Employer Account Management Division (EAMD) to identify and make adjustments, if necessary, to any impacted active and retired member accounts pursuant to Government Code Section 20160.

***Criteria:***

Government Codes: § 20160, § 20636.1

CCR: § 570.5

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

***Condition:***

- A. The Agency did not report uniforms in accordance with the Government Code and CCR. Specifically, the Agency did not report the monetary value of uniforms provided to campus supervisors, transportation, custodial, maintenance/operations, and warehouse employees enrolled as classic members in Fiscal Year 2013-14. Government Code Section 20636.1 and CCR Section 571 require that the monetary value for the purchase, rental, and/or maintenance of required clothing be reported as special compensation for classic employees.
- B. The Classified Employees' written labor agreement did not include the conditions for payment of uniforms. CCR Section 571(b) requires the written labor policy or agreement contain the conditions for payment of, including, but not limited to, eligibility for, and amount of the special compensation.

Reportable compensation is defined in CCR Section 571(a) and must be reported if it conforms with all of the requirements listed in CCR Section 571(b). Specifically, special compensation is required to be contained in a written labor policy or agreement indicating the eligibility and amount of special compensation. Also, special compensation must be available to all members in the group or class, part of normally required duties, performed during normal hours of employment, paid periodically as earned, and historically consistent with prior payments for the job classification.

***Recommendation:***

The Agency should ensure the monetary value of uniforms is reported as special compensation for classic members.

The Agency should ensure the conditions for payment of the uniforms are contained in a written labor policy or agreement.

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

***Criteria:***

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



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**3:** The Agency incorrectly reported a retroactive salary adjustment.

***Condition:***

The Agency incorrectly reported a retroactive salary adjustment as a prior period earnings adjustment in a lump sum amount. Specifically, in October 2014 the Agency approved a position change and salary increase for a telecom network technician. The position change and retroactive salary increase were retroactive to April 28, 2014. The Agency paid the employee a lump sum amount of \$6,108.37 in regular earnings to cover the period April 28, 2014 through September 30, 2014. However, the Agency reported the adjustment as a prior period earnings adjustment in a lump sum amount for the pay period ended April 30, 2014. Retroactive salary adjustments are used to capture salary increases covering multiple periods. For retroactive pay increases, the Agency should also provide the inclusive dates of the increase as well as the new payrate, total earnings, and contributions for the period of the increase.

***Recommendation:***

The Agency should ensure retroactive salary adjustments are correctly reported.

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

***Criteria:***

Government Codes: § 20120, § 20160, § 20630, § 20636.1

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**4:** The Agency incorrectly paid the normal member contributions for a management employee.

***Condition:***

The Agency incorrectly paid the normal member contributions on behalf of an employee in the pay period ended June, 30 2014. Specifically, the Agency paid the full seven percent of the member's normal contributions for a management employee. Government Code Section 20691 and CCR Section 569 requires that an Agency to meet certain conditions in order to pay an employee's member contributions. One condition is the payment must be authorized in a written labor policy or agreement. However, the payment of contributions was not authorized in a written labor agreement. As a result, the Agency should not have paid the contributions on behalf of the member.

***Recommendation:***

The Agency should ensure contributions are paid in accordance with the Government Code and CCR.

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

***Criteria:***

Government Codes: § 20120, § 20160, § 20636.1, § 20691  
CCR: 569

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

***Condition:***

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

***Recommendation:***

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

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

***Criteria:***

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

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**Observation:** The Agency's records did not agree with my|CalPERS information.

***Condition:***

OAS reviewed active member census data used to calculate pension liability for financial reporting purpose pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 67: Financial Reporting for Pension Plans. The significant census data elements include, but are not limited to, date of birth, date of hire or years of service, marital status, gender, employment status (active, inactive, or retired), class of employee, and eligible compensation.

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

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## CONCLUSION

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

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

Respectfully submitted,

Original signed by Beliz Chappuie

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

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

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# APPENDIX A

## OBJECTIVES

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# MORENO VALLEY UNIFIED SCHOOL DISTRICT

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## OBJECTIVES

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

- Applicable sections of the Government Code (Sections 20000 et seq.), PEPRA, and Title 2 of the CCR.
- Reporting procedures prescribed in the Agency's retirement contract with CalPERS.

## METHODOLOGY

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the Agency's personnel and payroll procedures, reviewed documents, and performed the following procedures.

- ✓ Reviewed:
  - Provisions of the contract and contract amendments between the Agency and CalPERS
  - Correspondence files maintained at CalPERS
  - Agency Board minutes and Agency Board resolutions
  - Agency written labor policies and agreements
  - Agency salary, wage, and benefit agreements including applicable resolutions
  - Agency personnel records and employee time records
  - Agency payroll information including Contribution Detail Transaction History reports
  - Documents related to employee payrate, special compensation, and benefits
  - Various other relevant documents
- ✓ Reviewed Agency payroll records and compared the records to data reported to CalPERS to determine whether the Agency correctly reported compensation.
- ✓ Reviewed payrates reported to CalPERS and reconciled the payrates to Agency public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the Agency's governing body in accordance with requirements of applicable public meetings laws.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.
- ✓ Reviewed the Agency's records to determine whether member census data agreed with my|CalPERS information.

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# **APPENDIX B**

**AGENCY'S WRITTEN RESPONSE**





**Board of Education**  
*Jesús M. Holguín, President*  
*Denise Fleming, Ed.D., Vice President*  
*Cleveland Johnson, Clerk*  
*Gary E. Baugh, Ed.S.*  
*Patrick W. Kelleher*

**Superintendent of Schools**  
*Judy D. White, Ed.D.*

## ***Moreno Valley Unified School District***

*25634 Alessandro Boulevard  
Moreno Valley, California 92553  
951-571-7500  
www.mvUSD.net*

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*The mission of Moreno Valley Unified School District is to ensure all students graduate high school prepared to successfully enter into higher education and/or pursue a viable career path.*

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May 26, 2016

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

RE: Response to Draft Audit Report of Moreno Valley Unified School District

To Whom It May Concern,

After review of the Draft Audit Report dated May 13, 2016, Business Services agrees with the five audit findings that are addressed in the report. The District has reviewed these findings with the appropriate staff. Please see below the actions that the District has or will take to fully resurrect the issues.

Audit Finding 1 – The Agency did not have a pay schedule that met all of the Government Code and CCR requirements

The District believes that it substantially complied with all requirements of the Government Code and California Code of Regulations pertaining to maintenance of pay schedules. The District understands that there is a concern that the classified pay schedule identifies salary ranges, but does not include every position title/classification. There is a separate, publicly-available Appendix that assigns each classification to a salary range. By a simple cross-reference, every salary/pay rate is easily discernible. Nevertheless, the District intends to modify its salary schedule and/or appendix and posting practices to ensure that this pay schedule meets all of the Government Code and CCR requirements.

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

It was unknown to the District that providing uniforms to employees would be considered compensation. We will discuss this finding with the specific bargaining unit during negotiations.

Audit Finding 3- The Agency incorrectly reported a retroactive salary adjustment

This was an error in reporting that month. The employee responsible will correct the error on the next PERS monthly reporting.

Audit Finding 4- The Agency incorrectly paid the normal member contributions for a management employee

The District believes there is a written document on file with the language specifying that the District shall cover Management employee contributions on behalf of the employee. We will continue to locate this document.

Audit Finding 5- The Agency did not maintain the required member reciprocal self-certification

The District will implement the new requirement to provide every new employee with the member reciprocal self-certification form in their new hire packet.

The District will continue to emphasize the importance of correct reporting and will continue to train staff on new policies and procedures as they come in to place. We thank you for taking the time to assist us in this review. Should you have any further comments or concerns please feel free to contact me.

Thank you,



Francine Story  
Interim Chief Business Official

Original signed by Francine Story