

Office of Audit Services



Public Agency Review

Mt. San Antonio Community College District

**CalPERS ID: 1228489046
Job Number: BI14-002**

July 2016



California Public Employees' Retirement System
Office of Audit Services
P.O. Box 942701
Sacramento, CA 94229-2701
TTY: (877) 249-7442
(916) 795-0802 phone, (916) 795-7836 fax
www.calpers.ca.gov

July 28, 2016

CalPERS ID: 1228489046
Job Number: BI14-002

Cynthia Hoover, Director, Human Resources Operations and Employee Services
Mt. San Antonio Community College District
1100 N. Grand Avenue
Walnut, CA 91789

Dear Ms. Hoover:

Enclosed is our final report on the results of the public agency review completed for the Mt. San Antonio Community College 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, Mt. San Antonio Community College District
Board of Trustees, Los Angeles County Schools Board of Education
Richard Lee, Director, Payroll, Mt. San Antonio Community College District
Risk and Audit Committee Members, CalPERS
Matthew G. Jacobs, General Counsel, CalPERS
Anthony Suine, Chief, BNSD, CalPERS
Renee Ostrander, Chief, EAMD, CalPERS
Carene Carolan, Chief, MAMD, CalPERS

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
Results in Brief.....	1
Scope.....	1
Office of Audit Services Review Results	2
1: Pay Schedule	2
2: Special Compensation	4
3: Payrate	5
Conclusion	6
Objectives	Appendix A
Agency's Written Response	Appendix B

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

RESULTS IN BRIEF

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

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

- The Agency did not have a pay schedule that met all of the Government Code and CCR requirements.
- Special compensation items were incorrectly reported.
- A reported payrate exceeded the maximum amount listed in the Agency's pay schedule.

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

SCOPE

The Los Angeles County Schools, which includes the Agency, contracted with CalPERS effective March 1, 1949 to provide retirement benefits for local miscellaneous employees. Individual school districts, such as the Agency, input members' payroll into the Los Angeles County Schools payroll system. The Los Angeles County Schools reports the monthly payroll for the school districts through my|CalPERS. By way of the Agency'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 payroll reporting related to the Agency's retirement contract with CalPERS. The review was limited to the examination of sampled employees, records, and pay periods from January 1, 2012 through December 31, 2014. The review objectives and methodology are listed in Appendix A.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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 have a pay schedule that listed the position title for every employee position in a single document. Instead the Agency used two documents to outline employee pay. One identified the payrates for classified employees and the other for management employees. In addition, the schedules did not include the time base, such as hourly, daily, bi-weekly, monthly, bi-monthly, or annually, for each position as required by Government Code Section 20636.1 and CCR Section 570.5.

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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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.

Recommendation:

The Agency should ensure its pay schedule 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

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

2: The Agency incorrectly reported items of special compensation.

Condition:

The Agency incorrectly reported items of special compensation. Specifically, the Agency reported Longevity Pay and Educational Pay as Bonus Pay. In some instances, the Agency combined the Longevity Pay and Educational Pay and reported the total as Bonus Pay. Although the Longevity Pay and Educational Pay met the definitions and criteria listed in the Government Code and CCR, the pay should be reported under the appropriate category and as separate items of special compensation. It is important that payroll information is reported accurately to ensure members receive the correct payment of benefits when they retire.

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

Recommendation:

The Agency should ensure special compensation items are reported in the appropriate category for the corresponding or relevant amount.

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, § 20210, § 20160, § 20636.1

CCR: § 571

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

3: The Agency reported a payrate that exceeded the maximum amount listed in the pay schedule.

Condition:

The Agency reported a payrate for an Extended Opportunity Programs and Services (ESOP) Outreach Specialist that exceeded the maximum payrate listed in the Agency's salary schedule. Specifically, the Agency reported a monthly payrate of \$3,815.95 during the pay period ended May 31, 2014 and June 30, 2014. However, the maximum payrate listed on the salary schedule in effect during these periods was \$3,778.20 for the position. Government Code Section 20636.1 requires that payrates reported to CalPERS are pursuant to publicly available pay schedules. Similarly, CCR Section 570.5 limits payrate to the amounts listed on a pay schedule that meets all of the enumerated requirements.

Payrate and earnings are important factors in computing a member's retirement allowance because the service credit and final compensation are directly related to the payrate and earnings.

Recommendation:

The Agency should ensure that payrates are within approved pay ranges.

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: § 570.5

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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

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

Staff: Cheryl Dietz, CPA, Assistant Division Chief
Alan Feblowitz, CFE, Senior Manager
Alicia Watts, Manager
Janice Ng, Auditor
Michelle O'Connor, CPA, Auditor

**MT. SAN ANTONIO COMMUNITY COLLEGE
DISTRICT**

APPENDIX A

OBJECTIVES

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

OBJECTIVES

The objectives of this review were to determine whether member compensation was accurately reported and 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
 - CalPERS payroll reports 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.

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

- ✓ Reviewed special compensation reported as Bonus Pay to CalPERS and reconciled the amounts to Agency public salary records and pursuant to the Agency's written labor agreements or policies to determine whether special compensation was accurate and reportable.
- ✓ Reviewed CalPERS reports to determine whether the payroll reporting elements were reported correctly.

**MT. SAN ANTONIO COMMUNITY COLLEGE
DISTRICT**

APPENDIX B

AGENCY'S WRITTEN RESPONSE

NOTE: The Agency provided an attachment to the response that was intentionally omitted from this appendix. Additionally, the name of an individual mentioned in the Agency's response was intentionally omitted from this appendix.

July 11, 2016

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

ATTN: Beliz Chappuie, Chief

RE: CalPERS ID: 1228489046
Job Number: BI14-002

Finding 1:

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

Response to Finding 1:

The Agency agrees with the Office of Audit Services' (OAS) finding that our pay schedules did not meet all of the requirements for a publicly available pay schedule. While our Management salary schedule did include position titles and payrates on a single document, our Classified Unit 262 salary schedule used a separate document to identify the pay range for each position title. Both pay schedules for management and classified employees did not identify the time base for the payrates shown.

To correct this, the Agency will include the position titles for each range of salaries on our new pay schedules commencing with the fiscal year beginning July 1, 2016. We will also include the time base on the pay schedules to indicate whether they are monthly, annual or otherwise.

However, the Agency would like to clarify with OAS that our pay schedules themselves, need to be included on a single document. We have separate pay schedules for our each of our classified bargaining units, faculty, management, confidential and non-represented employee groups. Is it the interpretation of OAS that each of these pay schedules needs to be included on one "master" pay schedule in order to comply with CCR 570.5(a)? Separating pay schedules by employee groups is a common practice and this needs to be clarified.

Finding 2:

The Agency incorrectly reported items of special compensation.

Response to Finding 2:

The Agency does not directly report its retirement data to CalPERS. Instead, we report this data to the Los Angeles County Office of Education (LACOE) where it is analyzed, edited and transmitted to CalPERS. While the Agency's

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payroll system can identify the various types of special compensation paid to our employees, we are required by LACOE to report our retirement data in a specific format. This format does not permit the Agency to identify the nature of the special compensation, only that the earnings are special compensation.

After speaking with a representative from LACOE about this, we have learned that they are in the process of creating specific codes to assist with identifying different types of special compensation. However, it is not yet known when this capability will be ready for use. In the meantime, LACOE will continue to report our special compensation as bonus pay. The Agency is therefore limited in our ability to correct this finding.

Finding 3:

The Agency reported a payrate that exceeded the maximum amount listed in the pay schedule.

Response to Finding 3:

The Agency has accurately paid [REDACTED] at pay range 54 on the Salary Schedule. The EOPS Outreach Specialist classification was erroneously listed as pay range 53 on the 2013-2014 Salary Schedule/Schedule of Assignments. The Agency updated the EOPS Outreach Specialist classification to accurately reflect pay range 54 on the Salary Schedule/Schedule of Assignments at the June 24, 2015 Board of Trustees meeting (attached).

Respectfully submitted,

[REDACTED] Original signed by Cynthia Hoover

Cynthia Hoover
Director, Human Resources Operations & Employee Services

Enclosure