

SAN DIEGO COMMUNITY COLLEGE DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

Chapter 961, Statutes of 1975;
and Chapter 1213, Statutes of 1991

July 1, 2005, through June 30, 2010



JOHN CHIANG
California State Controller

February 2014



JOHN CHIANG
California State Controller

February 14, 2014

Rich Grosch, President
Board of Trustees
San Diego Community College District
3375 Camino del Rio South
San Diego, CA 92108

Dear Mr. Grosch:

The State Controller's Office audited the costs claimed by the San Diego Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2005, through June 30, 2010.

The district claimed \$1,527,650 for the mandated program. Our audit found that \$832,062 is allowable (\$842,062 less a \$10,000 penalty for filing a late claim) and \$695,588 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported direct costs and misstated indirect costs. The State paid the district \$38,814. The State will pay allowable costs claimed that exceed the amount paid, totaling \$793,248, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Constance M. Carroll, Ph.D., Chancellor
San Diego Community College District
Bonnie Ann Dowd, Ed.D., Executive Vice Chancellor
Business and Technology Services
San Diego Community College District
Charles W. Rogers, CPA, Controller
Fiscal Services
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Diego Community College District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2005, through June 30, 2010.

The district claimed \$1,527,650 for the mandated program. Our audit found that \$832,062 is allowable (\$842,062 less a \$10,000 penalty for filing a late claim) and \$695,588 is unallowable. The costs are unallowable primarily because the district claimed ineligible and unsupported direct costs and misstated indirect costs. The State paid the district \$38,814. The State will pay allowable costs claimed that exceed the amount paid, totaling \$793,248, contingent upon available appropriations.

Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives relating to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5, requiring school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding.

On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561. Costs of publicly disclosing major provisions of collective bargaining agreements that districts incurred after July 1, 1996, are allowable.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows:

- G1 - Determining bargaining units and exclusive representatives
- G2 - Election of unit representatives
- G3 - Costs of negotiations
- G4 - Impasse proceedings
- G5 - Collective bargaining agreement disclosure
- G6 - Contract administration
- G7 - Unfair labor practice costs

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980 and amended them ten times, most recently on January 29, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective, Scope,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining Program for the period of July 1, 2005, through June 30, 2010.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the San Diego Community College District claimed \$1,527,650 for costs of the Collective Bargaining Program. Our audit found that \$832,062 is allowable (\$842,062 less a \$10,000 penalty for filing a late claim) and \$695,588 is unallowable. The State paid the district \$38,814. The State will pay allowable costs claimed that exceed the amount paid, totaling \$793,248, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on February 3, 2014. Charles W. Rogers, Controller, responded by letter dated February 13, 2014 (Attachment), disagreeing with the audit results. The district did not provide a reason for its disagreement. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the San Diego Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

February 14, 2014

Schedule 1— Summary of Program Costs July 1, 2005, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 154,982	\$ 85,328	\$ (69,654)	Finding 1
Materials and supplies	1,300	1,300	—	
Travel and training	4,205	30	(4,175)	Finding 2
Contract services	75,433	75,433	—	
Subtotal	235,920	162,091	(73,829)	
Winton Act base-year direct costs adjusted by the implicit price deflator	(14,345)	(11,641)	2,704	Finding 4
Increased direct costs, G1 through G3	221,575	150,450	(71,125)	
Component activities G4 through G7:				
Salaries and benefits	32,964	2,249	(30,715)	Finding 1
Materials and supplies	2,175	2,175	—	
Travel and training	982	—	(982)	Finding 2
Contract services	16,207	15,268	(939)	Finding 3
Increased direct costs, G4 through G7	52,328	19,692	(32,636)	
Total increased direct costs, G1 through G7	273,903	170,142	(103,761)	
Indirect costs	76,693	62,323	(14,370)	Finding 5
Total direct and indirect costs	350,596	232,465	(118,131)	
Less late filing penalty ²	—	(10,000)	(10,000)	
Total program costs	\$ 350,596	222,465	\$ (128,131)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 222,465		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 157,219	\$ 67,084	\$ (90,135)	Finding 1
Materials and supplies	3,477	3,477	—	
Travel and training	5,664	1,395	(4,269)	Finding 2
Contract services	76,824	74,458	(2,366)	Finding 3
Subtotal	243,184	146,414	(96,770)	
Winton Act base-year direct costs adjusted by the implicit price deflator	(12,097)	(12,097)	—	
Increased direct costs, G1 through G3	231,087	134,317	(96,770)	
Component activities G4 through G7:				
Salaries and benefits	32,636	11,689	(20,947)	Finding 1
Materials and supplies	2,577	2,577	—	
Travel and training	1,406	57	(1,349)	Finding 2
Contract services	105,080	97,701	(7,379)	Finding 3
Increased direct costs, G4 through G7	141,699	112,024	(29,675)	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2006, through June 30, 2007 (continued)</u>				
Total increased direct costs, G1 through G7	372,786	246,341	(126,445)	
Indirect costs	104,380	94,349	(10,031)	Finding 5
Total program costs	<u>\$ 477,166</u>	340,690	<u>\$ (136,476)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 340,690</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 162,068	\$ 75,601	\$ (86,467)	Finding 1
Materials and supplies	1,650	1,650	—	
Travel and training	4,066	514	(3,552)	Finding 2
Contract services	31,374	30,652	(722)	Finding 3
Subtotal	199,158	108,417	(90,741)	
Winton Act base-year direct costs adjusted by the implicit price deflator	(12,949)	(12,949)	—	
Increased direct costs, G1 through G3	<u>186,209</u>	<u>95,468</u>	<u>(90,741)</u>	
Component activities G4 through G7:				
Salaries and benefits	50,554	20,346	(30,208)	Finding 1
Materials and supplies	6,582	6,582	—	
Travel and training	3,279	—	(3,279)	Finding 2
Contract services	10,510	2,592	(7,918)	Finding 3
Increased direct costs, G4 through G7	<u>70,925</u>	<u>29,520</u>	<u>(41,405)</u>	
Total increased direct costs, G1 through G7	257,134	124,988	(132,146)	
Indirect costs	85,831	30,709	(55,122)	Finding 5
Total program costs	<u>\$ 342,965</u>	155,697	<u>\$ (187,268)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 155,697</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 107,001	\$ 40,035	\$ (66,966)	Finding 1
Materials and supplies	2,542	2,542	—	
Travel and training	663	7	(656)	Finding 2
Contract services	46,256	42,156	(4,100)	Finding 3
Subtotal	156,462	84,740	(71,722)	
Winton Act base-year direct costs adjusted by the implicit price deflator	(13,291)	(13,291)	—	
Increased direct costs, G1 through G3	<u>143,171</u>	<u>71,449</u>	<u>(71,722)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2008, through June 30, 2009 (continued)</u>				
Component activities G4 through G7:				
Salaries and benefits	21,126	1,141	(19,985)	Finding 1
Materials and supplies	59	59	—	
Travel and training	79	—	(79)	Finding 2
Contract services	5,967	5,488	(479)	Finding 3
Increased direct costs, G4 through G7	<u>27,231</u>	<u>6,688</u>	<u>(20,543)</u>	
Total increased direct costs, G1 through G7	170,402	78,137	(92,265)	
Indirect costs	<u>59,794</u>	<u>10,884</u>	<u>(48,910)</u>	Finding 5
Total program costs	<u>\$ 230,196</u>	89,021	<u>\$ (141,175)</u>	
Less amount paid by the State		<u>(26,884)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 62,137</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 75,093	\$ 26,865	\$ (48,228)	Finding 1
Materials and supplies	192	192	—	
Travel and training	1,043	—	(1,043)	Finding 2
Subtotal	76,328	27,057	(49,271)	
Winton Act base-year direct costs adjusted by the implicit price deflator	<u>(13,438)</u>	<u>(13,438)</u>	—	
Increased direct costs, G1 through G3	<u>62,890</u>	<u>13,619</u>	<u>(49,271)</u>	
Component activities G4 through G7:				
Salaries and benefits	29,262	2,238	(27,024)	Finding 1
Contract services	—	1,735	1,735	Finding 3
Increased direct costs, G4 through G7	<u>29,262</u>	<u>3,973</u>	<u>(25,289)</u>	
Total increased direct costs, G1 through G7	92,152	17,592	(74,560)	
Indirect costs	<u>34,575</u>	<u>6,597</u>	<u>(27,978)</u>	Finding 5
Total program costs	<u>\$ 126,727</u>	24,189	<u>\$ (102,538)</u>	
Less amount paid by the State		<u>(11,930)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 12,259</u>		
<u>Summary: July 1, 2005, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 656,363	\$ 294,913	\$ (361,450)	
Materials and supplies	9,161	9,161	—	
Travel and training	15,641	1,946	(13,695)	
Contract services	229,887	222,699	(7,188)	
Subtotal	911,052	528,719	(382,333)	
Winton Act base-year direct costs adjusted by the implicit price deflator	<u>(66,120)</u>	<u>(63,416)</u>	2,704	
Increased direct costs, G1 through G3	<u>844,932</u>	<u>465,303</u>	<u>(379,629)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2005, through June 30, 2010 (continued)</u>				
Component activities G4 through G7:				
Salaries and benefits	166,542	37,663	(128,879)	
Materials and supplies	11,393	11,393	—	
Travel and training	5,746	57	(5,689)	
Contract services	137,764	122,784	(14,980)	
Increased direct costs, G4 through G7	321,445	171,897	(149,548)	
Total increased direct costs, G1 through G7	1,166,377	637,200	(529,177)	
Indirect costs	361,273	204,862	(156,411)	
Total direct and indirect costs	1,527,650	842,062	(685,588)	
Less late filing penalty	—	(10,000)	(10,000)	
Total program costs	<u>\$ 1,527,650</u>	832,062	<u>\$ (695,588)</u>	
Less amount paid by the State		(38,814)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 793,248</u>		

¹ See the Findings and Recommendations section.

² The district filed its FY 2005-06 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000 (for claims filed on or after August 24, 2007).

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed \$822,905 in salaries and benefits for the audit period. We found that \$332,576 is allowable and \$490,329 is unallowable. The costs are unallowable because the district claimed costs that are ineligible, unsupported, inadequately supported, and understated.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits by reimbursable component for the audit period:

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
G1 - Determination of Bargaining Units	\$ 66,112	\$ 52,005	\$ (14,107)
G2 - Elections of Unit Representatives	1,033	1,033	—
G3 - Cost of Negotiations	589,218	241,875	(347,343)
G4 - Impasse Proceedings	30,111	19,756	(10,355)
G6 - Contract Administration	136,412	17,888	(118,524)
G7 - Unfair Labor Practice Charge	19	19	—
Total	<u>\$ 822,905</u>	<u>\$ 332,576</u>	<u>\$ (490,329)</u>

Component G1 – Determination of Appropriate Bargaining Units and Exclusive Representation

The district claimed \$66,112 in salaries and benefits for the Determination of Appropriate Bargaining Units and Exclusive Representation cost component for the audit period. We found that \$52,005 is allowable and \$14,107 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are ineligible and unsupported.

Public Employment Relations Board (PERB) Hearings

The district overstated PERB hearing costs by \$2,126, as follows:

- **Ineligible Costs** – For fiscal year (FY) 2006-07, the district claimed \$1,433 for a representation at PERB hearings resulting from a unit modification with the American Federation of Teachers (AFT). Since the case did not go to the PERB and the district did not testify at any PERB hearings, the costs claimed are unallowable.

On April 24, 2008, the district and the AFT mutually agreed to allow the AFT to become the exclusive representative of non-classified temporary employees at the district. Non-classified temporary employees include short-term employees, substitutes, students, work-experience employees, and work-study employees. On November 24, 2009, an Equal Employment Relations Act Representation Petition was filed with the PERB and made public to all employees. On February 22, 2010, the district wrote a letter to the PERB stating that it does not contest the request by the AFT. On May 4, 2010, the PERB confirmed that it received notification that the district recognized the AFT as the exclusive representative of the employees under petition LA-RR-1184-E. Subsequently, the PERB closed the case and NANCE (Non-Academic Non-Classified Employees) was formed.

The parameters and guidelines, section G(1)(c), state:

- 2) Representation of the public school employer at PERB hearings to determine bargaining units and the exclusive representative. Actual preparation time will be reimbursed. Salaries and benefits must be shown as described in Item H3.
- Unsupported Costs – For FY 2005-06, the district did not provide any documentation to support \$693 for an Employee Relations Manager and a Human Resources Technician to participate in PERB Hearings.

Unit List Modification Costs

The district claimed ineligible unit list modification costs of \$11,981, as follows:

- The district claimed \$6,733 for time spent by district staff for activities that are not related to the preparation, development, or posting of the representation petitions filed during the audit period.
- The district claimed \$5,248 for FY 2006-07 for unit list modifications for the NANCE case that did not go to the PERB and result in a hearing. In addition, the district claimed costs for discussions held between the district and the union in its claim for FY 2006-07 that occurred during FY 2007-08. The NANCE agreement between the district and the union was dated April 24, 2008.

The parameters and guidelines, section G(1)(c), allow reimbursement for:

- 1) Development of proposed lists for unit determination hearings if done during the fiscal year being claimed. Salaries and benefits must be shown as described in Item H3.

Component G3 – Cost of Negotiations

The district claimed \$589,218 in salaries and benefits for the Cost of Negotiations cost component for the audit period. We found that \$241,875 is allowable and \$347,343 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are inadequately supported, ineligible, unsupported, and understated.

At-Table-Negotiations

The district overstated at-table negotiation costs by \$217,930, as follows:

- Inadequately Supported Substitute Costs – The district claimed \$224,954 for substitute costs during the audit period. Of the total amount claimed, we were able to trace \$205,878 to Academic Hourly Time Reports, AFT fill-behind schedules, and Tentative Agreement Offer's (TAO). The district did not provide any documentation to support the remaining \$19,076 claimed.

Of the documentation that was provided, we traced the total contracted hours to the hours claimed and determined that the district claimed reimbursement for the total hours contracted per class per semester for each substitute, rather than the actual time spent by the bargaining unit representative to participate in negotiations.

During audit fieldwork, the district provided us with the substitutes' class schedules. We compared the dates and times identified on the class schedules with the dates and times spent in at-table negotiations by the union representative to identify overlaps where a substitute would be required. In total, we determined that \$6,237 in substitute costs is allowable and \$218,717 is unallowable.

The parameters and guidelines, section G(3), state:

- c) Indicate the cost of substitutes for release time of exclusive bargaining unit representatives during negotiations. Give the job classification of the bargaining unit representative that required a substitute and dates the substitute worked. Substitute costs for a maximum of five representatives per unit, per negotiation session will be reimbursed. The salaries of union representatives are not reimbursable.
- Ineligible Costs – The district claimed ineligible salaries and benefits of \$1,795 for the audit period. Specifically, the district claimed reimbursement for attending Health Benefit Committee Meetings, Health Insurance Meetings, and Group Budget Meetings for the “Meet and Confer” groups, which is not a collective bargaining activity.
- Unsupported Costs – For FY 2007-08, the district claimed \$71 in unsupported costs for at-table negotiations.
- Understated Costs – The district understated costs by a net of \$2,653 for the audit period because the district either understated or overstated the claimed hours of employer representatives participating in at-table negotiations.

Negotiation Planning Sessions

The district overstated negotiation planning sessions by \$118,159, as follows:

- Ineligible Individual Negotiation Preparation Costs – The district claimed individual negotiation preparation costs of \$113,662 for the audit period. Specifically, the district claimed reimbursement for time spent by employees conducting pre-negotiation activities such as “planning” and “preparation” on an individual basis rather than in a team meeting, such as a negotiation planning session. A negotiation planning session is a meeting or gathering, which is consistent with team meetings where more than one person gathers to meet and strategize prior to negotiation.

The parameters and guidelines, section G(3), state:

- a) Show the costs of salaries and benefits for employer representatives and employees participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed. Salaries and benefits must be shown as described in Item H3.
- Ineligible Negotiation Planning Session Costs – The district claimed \$4,181 for participation in planning sessions for activities that are not identified in the parameters and guidelines as reimbursable. Specifically, the district claimed time spent by district employees to participate in Health Benefit Committee Meetings for the “Meet and Confer” groups, which is not a collective bargaining activity. In addition, the district claimed time for employees to attend training provided by the County Office of Education. Training is limited to supervisors and management for administration and/or interpretation of a negotiated contract. Informational programs, such as conferences and workshops, are not reimbursable.
- Unsupported Costs – For FY 2005-06, the district claimed \$316 in unsupported costs for negotiation planning sessions.

Final Contract Distribution

The district claimed \$7,156 for final contract distribution costs that are not identified in the parameters and guidelines as reimbursable. Specifically, the district claimed time spent by district employees to manage the collective bargaining website; upload PDF files to the website; combine, edit, and format the collective bargaining agreements; print copies of agreements for the SEIU; and update the agreements with side-letter language. Reimbursement is limited to reasonable costs of reproduction of the final contract to be distributed to district management and a reasonable number of copies for the public.

The parameters and guidelines, section G(3), state:

- d) Reasonable costs of reproduction for a copy of the initial contract proposal and final contract, which is applicable and distributed to each employer representative (i.e. supervisory, management, confidential) and a reasonable number of copies for public information will be reimbursed. Provide detail of costs and/or include invoices. Costs for copies of a final contract provided to collective bargaining unit members are not reimbursable.

Receipt of the Union's Initial Contract Proposal

The district claimed \$4,098 for activities spent on receipt of the initial contract proposal that are not identified in the parameters and guidelines as reimbursable. Specifically, the district claimed reimbursement for district staff to discuss, research, and prepare worksheets and queries regarding salary cost computations, faculty ranking, and board summaries. Reimbursement is limited to the receipt of the exclusive representative's initial contract proposal and holding public hearings; therefore we allowed the time claimed related to sunshining of the initial contract proposal.

The parameters and guidelines, section G(3), state:

Negotiations: Reimbursable functions include – receipt of exclusive representative's initial contract proposal, holding of public hearings. . .

Component G4 – Impasse Proceedings

The district claimed \$30,111 in salaries and benefits for the Impasse Proceedings cost component for the audit period. We found that \$19,756 is allowable and \$10,355 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are ineligible and unsupported.

- Ineligible Planning and Preparation Costs – The district claimed \$8,262 for district employer representatives to prepare for upcoming mediations. Time spent preparing for upcoming mediations is not identified in the parameters and guidelines as a reimbursable cost.
- More than Five Employer Representatives Claimed – The district claimed \$1,771 for more than five employer representatives to participate in mediations. The parameters and guidelines allow reimbursement for a maximum of five school employer representatives. Therefore, we allowed reimbursement for the five employer representatives with the highest productive hourly rates.

The parameters and guidelines, section G(4)(a. Mediation), state:

- 1) Costs for salaries and benefits for employer representative personnel are reimbursable. Contract services will be reimbursed. Costs for a maximum of five public school employer representatives per mediation session will be reimbursed. Salaries and benefits must be shown as described in Item H3.
- Unsupported Costs – The district claimed \$322 for two substitutes for the release time of exclusive bargaining unit representatives to participate in mediations. The district did not provide any documentation to support the costs claimed. In addition, based on documentation provided for other employees, it appears that the exclusive bargaining unit representatives did not participate in mediations but in a collective bargaining meeting. If this is true, the costs claimed would be ineligible for reimbursement.

Component G6 – Contract Administration

The district claimed \$136,412 in salaries and benefits for the Contract Administration cost component. We determined that \$17,888 is allowable and \$118,524 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are ineligible, inadequately supported, and unsupported.

Adjudication of Contract Disputes (Grievances)

The district overstated the adjudication of contract disputes costs claimed by \$60,118, as follows:

- **Inadequately Supported Substitute Costs** – The district claimed \$49,086 in substitute costs for the release time of exclusive bargaining unit representatives to participate in grievance meetings. To support the costs claimed, the district provided TAOs and the fill-behind schedules. However, the sign-in-sheets did not support that an exclusive bargaining unit representative participated in these meetings.

In addition, the district incorrectly claimed the maximum approved catalog hours per substitute as opposed to the actual release time to participate in grievance meetings. Furthermore, the TAOs and class schedules show that many of the classes taught by the substitute were in the evening or online, which indicates that no substitutes were needed, as the grievance meetings were conducted during the day.

The parameters and guidelines, section G(6), state:

- b. Indicate substitutes necessary for release time of the representatives of an exclusive bargaining unit during adjudication of contract disputes. The job classification of the employee witnesses and the dates they were absent shall also be indicated.
- **Unsupported Costs** – The district claimed \$9,056 for district employees to prepare for grievance meetings. The district did not provide any documentation to support that the grievances were related to a contract dispute, as opposed to personnel-related issues.
- **Ineligible Costs** – The district claimed \$1,976 for ineligible costs as follows:
 - The district claimed \$1,777 for district employees to participate in grievances that are not collective bargaining related.
 - For FY 2007-08, the district claimed \$199 for district employees to prepare bi-weekly reports and update grievance files. A description of the activity did not provide sufficient information to determine that the costs related only to collective bargaining cases. For example, in one instance, the activity claimed stated that a district employee consulted with legal counsel regarding the interpretation of a particular article that pertains to a “threat of grievance by the union.” Based on this example alone, we can infer that this issue is not yet a collective bargaining grievance, and therefore, not reimbursable.

The parameters and guidelines, section G(6), state:

- a. Salaries and benefits of employer personnel involved in adjudication of contract disputes.

Contract Administration and Training Costs

The district overstated contract administration and training costs by \$58,406, as follows:

- Ineligible Labor Management Meetings – The district claimed \$47,810 for district employees to prepare for and participate in labor management meetings with representatives of the exclusive bargaining units. The district’s participation in these meetings is required by the collective bargaining agreement. Implementing terms and conditions outlined in the collective bargaining agreement is not a reimbursable activity.
- Ineligible Costs – The district claimed \$9,672 for ineligible costs as follows:
 - The district claimed \$4,531 for district employees to perform research, and provide training and feedback to staff. However, reimbursement is limited to only supervisory and management personnel.
 - The district claimed \$2,629 for district employees to interpret policies, research alternative schedules, and provide information for tuition reimbursement. Reimbursement is limited to a reasonable number of training sessions held on contract administration and interpretation of a negotiated contract.
 - The district claimed \$2,512 to plan and prepare for training, which is not an activity identified in the parameters and guidelines as reimbursable.

The parameters and guidelines, section G(6), state:

- c) Reasonable costs incurred for a reasonable number of training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract are reimbursable. Contract interpretations at staff meetings are not reimbursable. Personal development and informational programs, i.e., classes, conferences, seminars, workshops, and time spent by employees attending such meetings are not reimbursable. Similarly, purchases of books and subscriptions for personal development and information purposes are not reimbursable. Salaries and benefits must be shown as described in Item H3.
- Unsupported Costs – The district overstated training costs by \$924.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentation should identify the mandated functions performed as required by the claiming instructions.

**FINDING 2—
Unallowable travel
and training**

The district claimed \$21,388 in travel and training for the audit period. We found that \$2,003 is allowable and \$19,385 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are ineligible and unsupported.

The following table summarizes the claimed, allowable, and unallowable travel and training costs by reimbursable component for the audit period:

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
G1 - Determination of Bargaining Units	\$ 3,322	\$ 1,939	\$ (1,383)
G2 - Election of Unit Representatives	7	7	—
G3 - Cost of Negotiations	12,312	—	(12,312)
G4 - Impasse Proceedings	1,605	37	(1,568)
G6 - Contract Administration	4,142	20	(4,122)
Total	<u>\$ 21,388</u>	<u>\$ 2,003</u>	<u>\$ (19,385)</u>

Component G1 – Determination of Appropriate Bargaining Units and Exclusive Representation

The district claimed \$3,322 for the Determination of Appropriate Bargaining Units and Exclusive Representation cost component for the audit period. We found that \$1,939 is allowable and \$1,383 is unallowable. The costs are unallowable because the district claimed costs in excess of the allowable travel rates and costs that are unsupported.

- Excessive Travel Costs – For FY 2005-06, the district claimed \$893 in attorney travel costs that are in excess of the amount allowable for state employees. The district claimed the actual lodging fee incurred by the attorney, which was sometimes in excess of \$250 per night. We calculated the allowable lodging costs utilizing the state lodging rate of \$110 per night.

The parameters and guidelines, section H(5), state:

. . . However, travel expenses for consultants and experts (including attorneys) hired by the claimant shall not be reimbursed in an amount higher than that received by State employees, as established under Title 2, Div. 2, Section 700ff, CAC.

- Unsupported Costs – For FY 2005-06, the district claimed \$490 in unsupported costs. The district did not provide lodging receipts to support the amount claimed.

Component G3 – Cost of Negotiations

The district claimed \$12,312 for the Cost of Negotiations cost component for the audit period. We found that all of the costs claimed are unallowable. The costs are unallowable because the district claimed costs that are ineligible and unsupported.

- Ineligible Travel Costs – The district claimed \$10,722 for district employees to travel to at-table negotiations and planning sessions. The district did not provide any documentation to support the travel costs claimed. In addition, with the exception of the travel costs for

the attorney, the parameters and guidelines do not identify travel as an allowable cost for the Cost of Negotiations cost component.

- **Unsupported Travel Costs** – For FY 2006-07, the district claimed \$1,590 for the attorney to travel to at-table negotiations. The district did not provide any documentation to support the costs claimed.

Component G4 – Impasse Proceedings

The district claimed \$1,605 in travel costs for the audit period. We found that \$37 is allowable and \$1,568 is unallowable. The costs are unallowable because they are unsupported. The district claimed time for the district employees to travel to impasse proceedings. The district did not provide any documentation to support the amounts claimed.

Component G6 – Contract Administration

The district claimed \$4,142 for the Contract Administration cost component. We found that \$20 is allowable and \$4,122 unallowable. The costs are unallowable because the district claimed costs that are ineligible.

- **Ineligible Travel Costs to Attend Training** – The district claimed \$2,419 in travel and mileage costs for 48 employees to attend a training session. Based on the sign-in-sheet, we noticed that a few individuals claimed were not supervisors or managers. In addition, the documentation provided by the district did not support that the training directly related to contract administration or interpretation of a negotiated contract. Furthermore, the documentation provided did not include the destination point (travel to/from).
- **Ineligible Travel to Labor Management Meetings** – The district claimed \$1,624 in travel costs for district employees to attend Labor Management Meetings. As previously stated, the district's participation in these meetings is required by the collective bargaining agreements. Unless the district is conducting a training session to understand the negotiated contract at these meetings, the costs claimed are not allowable. Implementing terms and conditions outlined in the collective bargaining agreement is not a reimbursable activity.
- **Ineligible Travel for a Grievance Case that is not Collective Bargaining Related** – The district claimed \$79 for a district employee to participate in discussions for a grievance case that is not collective bargaining related. Review of the grievance shows that the district initiated a disciplinary action against the employee for insubordination and poor performance. The employee did not file a grievance citing a collective bargaining violation.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentation should identify the mandated functions performed as required by the claiming instructions.

**FINDING 3—
Unallowable contract
services**

The district claimed \$367,665 in contract services for the audit period. We found that \$345,483 is allowable and \$22,168 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are ineligible, unsupported, and understated.

The following table summarizes the claimed, allowable, and unallowable contract service costs by reimbursable component for the audit period:

Reimbursable Component	Amount Claimed	Amount Allowable	Audit Adjustment
G1 - Determination of Bargaining Units	\$ 77,992	\$ 77,992	\$ —
G3 - Cost of Negotiations	151,895	144,707	(7,188)
G4 - Impasse Proceedings	24,110	13,786	(10,324)
G6 - Contract Administration	104,256	99,600	(4,656)
G7 - Unfair Labor Practice Charge	9,398	9,398	—
Total	<u>\$ 367,651</u>	<u>\$ 345,483</u>	<u>\$ (22,168)</u>

Component G3 – Cost of Negotiations

The district claimed \$151,895 for the Cost of Negotiations cost component. We found that \$144,707 is allowable and \$7,188 is unallowable. The costs are unallowable because the district claimed costs that are ineligible and unsupported.

- **Unsupported Costs** – For FY 2006-07, the district claimed \$2,366 for time spent by the attorney preparing for the Bonus Arbitration case. The district did not provide documentation to support that this case is collective bargaining related.
- **Ineligible Costs** – The district claimed ineligible costs of \$4,822, as follows:
 - For FY 2008-09, the district claimed \$4,100 for the attorney to participate in Labor Management Meetings. As previously noted, the district’s participation in these meetings is required by the collective bargaining agreements. Unless the district is participating in negotiations with the bargaining unit representatives during these meetings, the costs claimed are not allowable. Implementing terms and conditions outlined in the collective bargaining agreement is not a reimbursable activity.
 - For FY 2007-08, the district claimed \$722 for time spent by the attorney to perform legal research regarding the Octon Lead Position. This is not a collective-bargaining-related case.

Component G4 – Impasse Proceedings

The district claimed \$24,110 for the Impasse Proceedings cost component. We found that \$13,786 is allowable and \$10,324 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that are unsupported. The district claimed \$10,324 for impasse mediation proceedings related to the Bonus Arbitration case. As previously stated, the district did not provide any documentation to support that this case is collective-bargaining related.

Component G6 – Contract Administration

The district claimed \$104,256 for the Contract Administration cost component. We found that \$99,600 is allowable and \$4,656 is unallowable. The costs are unallowable because the district claimed costs that are ineligible, unsupported, and understated.

Adjudication of Contract Disputes (Grievances)

The district understated the adjudication of contract disputes by \$139, as follows:

- **Unsupported Costs** – The district claimed unsupported costs of \$675, as follows:
 - For FY 2006-07, the district claimed \$567 for time spent by the attorney to participate in a grievance regarding mailboxes. The district did not provide any documentation to support that this case is collective-bargaining related.
 - For FY 2006-07, the district claimed \$108 for an attorney to participate in a classified grievance that was not supported by any documentation.
- **Understated Costs** – For FY 2009-10, the district understated allowable collective bargaining grievance costs by \$814.

PERB Grievances

The district overstated the PERB grievances by \$5,237, as follows:

- **Unsupported Costs** – The district claimed unsupported cost of \$5,048, as follows:
 - The district claimed \$2,591 for an attorney to participate in a PERB grievance that was not supported by any documentation.
 - For FY 2006-07, the district claimed \$2,457 for time spent by the attorney to participate in the Bonus Arbitration case. The district did not provide documentation to support that this case is collective-bargaining related.
- **Ineligible Costs** – For FY 2005-06, the district claimed \$189 for time spent by the attorney to participate in a grievance that is not collective-bargaining related.

Contract Interpretation

The district understated contract interpretation costs by \$442, as follows:

- **Ineligible Costs** – The district claimed \$479 for time spent by the attorney to participate in Labor Management Meetings. As previously stated, the district's participation in these meetings is required by the collective bargaining agreements. Unless the district

is conducting a training session to understand the negotiated contract at these meetings, the costs claimed are not allowable. Implementing terms and conditions outlined in the collective bargaining agreement is not a reimbursable activity.

- Understated Costs – For FY 2009-10, the district did not claim any time for contract interpretation. We reviewed the attorney invoice and found that \$921 is allowable.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines, and are properly supported. Supporting documentation should identify the mandated functions performed as required by the claiming instruction

**FINDING 4—
Overstated Winton
Act base-year costs**

The district overstated its Winton Act base-year direct costs by \$2,704. The error occurred because the district adjusted the Winton Act base-year direct costs by the wrong implicit price deflator (IPD). The district used an IPD of 4.780 instead of 3.879, as stated in the SCO’s Claiming Instructions. The following table summarizes the adjustment:

	Fiscal Year <u>2005-06</u>
Claimed IPD	4.780
Allowable IPD	<u>3.879</u>
Difference	0.901
Winton Act base-year costs	\$ <u>3,001</u>
Audit adjustment	\$ <u><u>2,704</u></u>

Recommendation

We recommend that the district offset the Winton Act base-year direct costs using the IPD identified in the claiming instructions.

**FINDING 5—
Misstated indirect
costs**

The district claimed \$361,273 in indirect costs for the audit period. We found that \$204,862 is allowable and \$156,411 is unallowable. The costs are unallowable because the district applied its indirect cost rates to unallowable direct costs (described in Findings 1 through 3), incorrectly calculated its FAM-29C indirect cost rates for all fiscal years of the audit period, and did not apply its FAM-29C indirect cost rates to the proper direct cost base for FY 2007-08 through FY 2009-10.

For all fiscal years of the audit period, the district claimed indirect costs using the SCO's FAM-29C methodology. The district did not provide documentation supporting the calculations of its FAM-29C indirect cost rates. We obtained the district's California Community Colleges Annual Financial Budget Report Expenditures by Activity Reports (CCFS-311) and the notes to the district's audited financial statements (for depreciation information) from the California Community Colleges Chancellor's Office and recalculated the FAM-29C rates, as follows:

Fiscal Year	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Difference
2005-06	28.00%	36.63%	8.63%
2006-07	28.00%	38.30%	10.30%
2007-08	33.38%	37.00%	3.62%
2008-09	35.09%	39.03%	3.94%
2009-10	37.52%	42.11%	4.59%

In addition, for FY 2007-08 through FY 2009-10, the district applied its FAM-29C indirect cost rates to the wrong cost base. The district applied its FAM-29C rate to total direct costs; however, the FAM-29C is to be applied only to salaries and benefits.

For FY 2007-08 through FY 2008-09, the SCO's claiming instructions state:

. . . The methodology used in form FAM-29C is a direct cost base comprised of salary and benefit costs . . .

The following table summarizes the indirect cost rate adjustments for each fiscal year in the audit period:

Fiscal Year	Allowable Salaries and Benefits ¹	Allowable Direct Costs ²	Allowable Indirect Cost Rate	Allowable Indirect Costs	Claimed Indirect Costs	Audit Adjustment
2005-06	\$ —	\$ 170,142	36.63%	\$ 62,323	\$ 76,693	\$ (14,370)
2006-07	—	246,341	38.30%	94,349	104,380	(10,031)
2007-08	82,998	—	37.00%	30,709	85,831	(55,122)
2008-09	27,885	—	39.03%	10,884	59,794	(48,910)
2009-10	15,665	—	42.11%	6,597	34,575	(27,978)
Total	\$ 126,548	\$ 416,483		\$ 204,862	\$ 361,273	\$ (156,411)

¹ The FAM-29C rate for FY 2007-08 through FY 2009-10 is applied to allowable salaries and benefits.

² The FAM-29C rate for FY 2005-06 through FY 2006-07 is applied to allowable direct costs.

Recommendation

We recommend that the district calculate indirect costs in the manner prescribed in the claiming instructions and apply the indirect cost rates to allowable direct costs.

**Attachment—
District's Response to
Draft Audit Report**



SAN DIEGO COMMUNITY COLLEGE DISTRICT

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February 13, 2014

Mr. Jim L. Spano
Chief, Mandated Cost Audits Bureau
California State Controller's Office
Division of Audits
P.O. Box 94250-5874
Sacramento, CA 94250-5874

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Budget Services 619-388-6551
General Accounting 619-388-6556
Grants & Contracts Administration 619-388-6550
Special Funds 619-388-6552
FAX 619-388-6987

Dear Mr. Spano:

Re: San Diego Community College District
Mandated Collective Bargaining Program Audit
Fiscal Years July 1, 2005 through June 30, 2010

This letter is the San Diego Community College District's (SDCCD) response to a letter dated February 3, 2014, addressed to Chancellor Constance M. Carroll, regarding the outcome of the State Controller's Office audit of the SDCCD's legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2005 through June 30, 2010.

SDCCD staff has reviewed the draft audit report enclosed with the February 3, 2014 letter from Mr. Jeffrey V. Brownfield, Chief, Division of Audits, which states that we are to respond within 10 calendar days from receipt of the draft report as to the accuracy of the audit findings.

The SDCCD disagrees with the overall findings of the audit, which is disallowing \$695,588 in claimed costs and intends to appeal the findings with the Commission on State Mandates via an Incorrect Reduction Claim (IRC).

If you have any questions, please contact me at (619) 388-6555 or via email at crogers@sdccd.edu.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Rogers".

Charles W. Rogers, CPA
Controller

cc: Chancellor Constance M. Carroll, Ph.D.
Executive Vice Chancellor Bonnie Ann Dowd, Ed.D.
Vice Chancellor, Human Resources Will Surbrook

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