

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

Second Reissued Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 1999, through June 30, 2002



BETTY T. YEE
California State Controller

March 2016



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California State Controller

March 14, 2016

Patricia Miljanich, President
Board of Trustees
San Mateo County Community College District
3401 CSM Drive
San Mateo, CA 94402-3699

Dear Ms. Miljanich:

The State Controller's Office audited the costs claimed by the San Mateo County 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, 1999, through June 30, 2002.

This reissued final audit report supersedes our previous reissued final report, dated February 11, 2016. We initially revised the final report to allow costs for salaries and benefits, materials and supplies, and related indirect costs, based on a statement of decision adopted by the Commission on State Mandates (Commission) on September 25, 2015. The statement of decision responded to an incorrect reduction claim the district filed with the Commission on the audit adjustments. Upon reinstating these costs, we found that the remaining unallowable costs for all years of the audit period are below our materiality threshold for the audit. Therefore, we reinstated all costs as originally claimed. However, we discovered a transposed number in the Revised Schedule 1, Summary of Program Costs. Therefore, we are reissuing the revised report to correct this error.

The district claimed \$1,090,686 for the mandated program. Our audit found that the entire amount is allowable. The district was paid \$355,236. The State will pay allowable costs claimed that exceed the amount paid, totaling \$735,450, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/lis

cc: Ron Galatoto, Ed.D., Chancellor
 San Mateo County Community College District
Kathy Blackwood, Executive Vice Chancellor
 San Mateo County Community College District
Mario Rodriguez, Assistant Vice Chancellor
 College Finance and Facilities Planning
 California Community Colleges Chancellor's Office
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Second Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the San Mateo County 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, 1999, through June 30, 2002.

The district claimed \$1,090,686 for the mandated program. The audit found that the entire amount is allowable. The district was paid \$355,236. The State will pay allowable costs claimed that exceed the amount paid, totaling \$735,450, 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 of 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 [Commission]) ruled 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 Commission 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 representation
- G2 – Election of unit representation
- G3 – Cost of negotiations
- G4 – Impasse proceedings
- G5 – Collective bargaining agreement disclosure
- G6 – Contract administration
- G7 – Unfair labor practice charges

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission 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 for each mandate requiring state reimbursement to assist school districts in claiming mandated program reimbursable costs.

**Scope, Objectives,
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Notification of Truancy Program for the period of July 1, 1999, through June 30, 2001.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed annual claims filed with SCO to identify any mathematical errors and performed analytical procedures to determine any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Inquired whether the district realized any offsetting savings or reimbursements from the statutes which created the mandated program.
- Judgmentally selected and tested costs claimed for the relevant cost elements to determine that the costs were related to the mandated program.
- Traced productive hourly rate calculations for district employees to supporting documentation in the district's payroll system.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted this performance 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

Conclusion

For the audit period, the San Mateo County Community College District claimed \$1,090,686 and was paid \$355,236 for costs of the Collective Bargaining Program. The audit found that the entire amount is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$735,450, contingent upon available appropriations.

Views of Responsible Officials

The SCO issued a revised draft audit report on April 21, 2004. Ron Galatolo, Ed.D., Chancellor-Superintendent, responded by letter dated May 12, 2004, disagreeing with Findings 1 and 3. The district did not respond to Findings 2 and 4. (The district's response to Finding 2 actually related to Finding 3.) We issued the final audit report on August 6, 2004. The district subsequently filed an Incorrect Reduction Claim (IRC) on September 6, 2005.

On September 25, 2015, the Commission issued a decision in response to the district's filed IRC. In its decision, the Commission concluded that the district complied with the documentation requirements of the parameters and guidelines for salaries and benefits (and related indirect costs) and materials and supplies. The Commission requested that the SCO reinstate all costs reduced for unsupported costs. The Commission also concluded that adjustments for productive hourly rate findings totaling \$6,168 are partially correct and requested that the SCO reinstate costs for one district employee for FY 1999-2000 and FY 2001-02.

In compliance with the Commission's decision, we reinstated the previously unsupported direct costs, plus related indirect costs, and the costs related to productive hourly rate differences. As a result, allowable costs increased by \$732,500 for the audit period. Upon reinstating these costs, we found that the remaining unallowable costs for all years of the audit period were below our materiality threshold for the audit. Therefore, we reinstated all costs as originally claimed by the district. Allowable costs increased by \$735,450, from \$355,236 to \$1,090,686. We advised Kathy Blackwood, Executive Vice Chancellor, of the revision. Ms. Blackwood responded by email on January 8, 2016, agreeing with the revised audit results.

Reason for Reissuance

This report has been reissued to correct the allowable cost claimed in excess of amount paid from \$251,473 to \$251,743, on the attached Second Revised Schedule for FY 1999-2000.

Restricted Use

This report is solely for the information and use of the San Mateo County Community College District, the California Department of Education, 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
Chief, Division of Audits

March 14, 2016

**Second Revised Schedule—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1999, through June 30, 2000</u>			
Component activities G1 through G3:			
Salaries and benefits	\$ 268,830	\$ 268,830	\$ —
Subtotals	268,830	268,830	—
Less adjusted base-year direct costs	(35,841)	(35,841)	—
Total increased direct costs, G1 through G3	232,989	232,989	—
Component activities G4 through G7:			
Salaries and benefits	40,003	40,003	—
Materials and supplies	1,568	1,568	—
Travel	355	355	—
Contracted services	272	272	—
Total increased direct costs, G4 through G7	42,198	42,198	—
Total increased direct costs, G1 through G7	275,187	275,187	—
Indirect costs	44,316	44,316	—
Total costs	\$ 319,503	319,503	\$ —
Less amount paid by the State		(67,760)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 251,743</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Component activities G1 through G3:			
Salaries and benefits	\$ 271,389	\$ 271,389	\$ —
Contracted services	17,800	17,800	—
Subtotals	289,189	289,189	—
Less adjusted base-year direct costs	(37,310)	(37,310)	—
Total increased direct costs, G1 through G3	251,879	251,879	—
Component activities G4 through G7:			
Salaries and benefits	17,585	17,585	—
Materials and supplies	3,702	3,702	—
Contracted services	300	300	—
Total increased direct costs, G4 through G7	21,587	21,587	—
Total increased direct costs, G1 through G7	273,466	273,466	—
Indirect costs	35,189	35,189	—
Total costs	\$ 308,655	308,655	\$ —
Less amount paid by the State		(99,056)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 209,599</u>	

Second Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 2001, through June 30, 2002</u>			
Component activities G1 through G3:			
Salaries and benefits	\$ 399,162	\$ 399,162	\$ -
Contracted services	9,500	9,500	-
Subtotals	408,662	408,662	-
Less adjusted base-year direct costs	(37,839)	(37,839)	-
Total increased direct costs, G1 through G3	370,823	370,823	-
Component activities G4 through G7:			
Salaries and benefits	32,265	32,265	-
Materials and supplies	898	898	-
Total increased direct costs, G4 through G7	33,163	33,163	-
Total increased direct costs, G1 through G7	403,986	403,986	-
Indirect costs	58,542	58,542	-
Total costs	\$ 462,528	462,528	-
Less amount paid by the State		(188,420)	
Allowable costs claimed in excess of (less than) amount paid		\$ 274,108	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Total increased direct costs, G1 through G7	\$ 952,639	\$ 952,639	\$ -
Indirect costs	138,047	138,047	-
Total costs	\$ 1,090,686	1,090,686	\$ -
Less amount paid by the State		(355,236)	
Allowable costs claimed in excess of (less than) amount paid		\$ 735,450	

**State Controller's Office
Division of Audits
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