



JOHN CHIANG
California State Controller

September 17, 2013

Kirsten Vital, Superintendent
Alameda Unified School District
2060 Challenger Drive
Alameda, CA 94501

Dear Ms. Vital:

The State Controller's Office reviewed the costs claimed by Alameda Unified School 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, 2008, through June 30, 2012. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$267,920 for the mandated program. Our review found that \$176,233 is allowable and \$91,687 is unallowable. The costs are unallowable because the district did not report any Winton Act base-year direct costs, as described in the attached Summary of Program Costs and the Finding and Recommendation.

We informed Madeline Gabel, Director of Fiscal Services, of the review adjustment via email on September 9, 2013. We did not receive a response from Ms. Gabel.

For the fiscal year (FY) 2008-09 claim, the State paid the district \$5,072. Our review found that \$18,894 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$13,822, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$5,150. Our review found that \$43,439 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$38,289, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our review found that \$46,636 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2011-12 claim, the State made no payment to the district. Our review found that \$67,264 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, 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/kw

Attachments

RE: S14-MCC-911

cc: Madeline Gabel, Director of Fiscal Services
Alameda Unified School District
Shariq Khan, Accounting/Purchasing Manager
Alameda Unified School District
Sheila Jordan, County Superintendent of Schools
Alameda County Office of Education
Scott Hannan, Director, School Fiscal Services Division
California Department of Education
Carol Bingham, Director, Fiscal Policy Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2008, through June 30, 2012**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Component activities G1 through G3:			
Salaries and benefits	\$ 38,359	\$ 38,359	\$ —
Subtotal	38,359	38,359	—
Less base-year direct costs adjusted by the implicit price deflator	—	(21,396)	(21,396)
Increased direct costs, G1 through G3	38,359	16,963	(21,396)
Component activities G4 through G7:			
Salaries and benefits	1,342	1,342	—
Increased direct costs, G4 through G7	1,342	1,342	—
Total increased direct costs, G1 through G7	39,701	18,305	(21,396)
Indirect costs	1,278	589	(689)
Total program costs	<u>\$ 40,979</u>	18,894	<u>\$ (22,085)</u>
Less amount paid by the State		(5,072)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,822</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Component activities G1 through G3:			
Salaries and benefits	\$ 57,957	\$ 57,957	\$ —
Subtotal	57,957	57,957	—
Less base-year direct costs adjusted by the implicit price deflator	—	(21,633)	(21,633)
Increased direct costs, G1 through G3	57,957	36,324	(21,633)
Component activities G4 through G7:			
Salaries and benefits	5,687	5,687	—
Increased direct costs, G4 through G7	5,687	5,687	—
Total increased direct costs, G1 through G7	63,644	42,011	(21,633)
Indirect costs	2,164	1,428	(736)
Total program costs	<u>\$ 65,808</u>	43,439	<u>\$ (22,369)</u>
Less amount paid by the State		(5,150)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,289</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Component activities G1 through G3:			
Salaries and benefits	\$ 49,175	\$ 49,175	\$ —
Subtotal	49,175	49,175	—
Less base-year direct costs adjusted by the implicit price deflator	—	(22,140)	(22,140)
Increased direct costs, G1 through G3	49,175	27,035	(22,140)
Component activities G4 through G7:			
Salaries and benefits	6,481	6,481	—
Contract services	11,318	11,318	—
Increased direct costs, G4 through G7	17,799	17,799	—
Total increased direct costs, G1 through G7	66,974	44,834	(22,140)
Indirect costs	2,692	1,802	(890)
Total program costs	<u>\$ 69,666</u>	46,636	<u>\$ (23,030)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 46,636</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Component activities G1 through G3:			
Salaries and benefits	\$ 55,227	\$ 55,227	\$ —
Contract services	978	978	—
Subtotal	56,205	56,205	—
Less base-year direct costs adjusted by the implicit price deflator	—	(22,889)	(22,889)
Increased direct costs, G1 through G3	56,205	33,316	(22,889)
Component activities G4 through G7:			
Salaries and benefits	25,138	25,138	—
Contract services	5,159	5,159	—
Increased direct costs, G4 through G7	30,297	30,297	—
Total increased direct costs, G1 through G7	86,502	63,613	(22,889)
Indirect costs	4,965	3,651	(1,314)
Total program costs	<u>\$ 91,467</u>	67,264	<u>\$ (24,203)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,264</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2008, through June 30, 2012</u>			
Total increased direct costs, G1 through G7	\$ 256,821	\$ 168,763	\$ (88,058)
Indirect costs	11,099	7,470	(3,629)
Total program costs	<u>\$ 267,920</u>	176,233	<u>\$ (91,687)</u>
Less amount paid by the State		<u>(10,222)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 166,011</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2008, through June 30, 2012

**FINDING—
Unreported Winton Act
base-year direct costs,
and related indirect
costs**

The district did not report any Winton Act direct costs on its mandated cost claims for fiscal year (FY) 2008-09 through FY 2011-12. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, understating the Winton Act base-year costs by \$88,058 for the review period. Unallowable related indirect costs total \$3,629.

The following table summarizes the unreported Winton Act base-year costs by fiscal year:

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Winton Act base-year costs, FY 1995-96	\$ (4,831)	\$ (4,831)	\$ (4,831)	\$ (4,831)	
Implicit price deflator (IPD)	x 4.429	x 4.478	x 4.583	x 4.738	
Winton Act base-year costs adjusted by the IPD	(21,396)	(21,633)	(22,140)	(22,889)	(88,058)
Less: Reported Winton Act base-year costs	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(21,396)	(21,633)	(22,140)	(22,889)	(88,058)
Related indirect cost adjustment	(689)	(736)	(890)	(1,314)	(3,629)
Review adjustment	<u>\$ (22,085)</u>	<u>\$ (22,369)</u>	<u>\$ (23,030)</u>	<u>\$ (24,203)</u>	<u>\$ (91,687)</u>

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.

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 (IPD). For components G4 through G7, increased costs represent actual costs incurred.

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 State Controller's Office (SCO) issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

The amended parameters and guidelines (Section H – Supporting Data for Claims – Report Format for Submission of Claim) states:

- a. For component activities G1, G2, and G3:
 1. Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities. The Winton Act base-year is generally fiscal year 1974-75.

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator shall be listed in the annual claiming instructions of the State Controller.

The Winton Act base-year costs were obtained from the FY 1995-96 claim the district submitted to the SCO's Division of Accounting and Reporting. The IPD is reported in the SCO's annual claiming instructions.

Recommendation

We recommend that the district ensure that all Winton Act base-year costs are adjusted by the IPD, as listed in the SCO's annual claiming instructions, and are properly offset against the district's current-year Rodda Act costs claimed.