

GLENDALE UNIFIED SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING AND COLLECTIVE BARGAINING AGREEMENT DISCLOSURE PROGRAM

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

July 1, 2008, through June 30, 2012



BETTY T. YEE
California State Controller

November 2015



BETTY T. YEE
California State Controller

November 24, 2015

Christine Walters, President
Board of Education
Glendale Unified School District
223 North Jackson Street
Glendale, CA 91206

Dear Ms. Walters:

The State Controller's Office audited the costs claimed by the Glendale Unified School District for the legislatively mandated Collective Bargaining and Collective Bargaining Agreement Disclosure Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012.

The district claimed \$678,194 for the mandated program. Our audit found that \$236,907 is allowable and \$441,287 is unallowable. The costs are unallowable primarily because the district claimed costs for ineligible activities and unsupported costs, failed to offset its Winton Act base-year costs against the current-year Rodda Act costs, and overstated its indirect costs. The State paid the district \$36,992. The State will pay allowable costs claimed that exceed the amount paid, totaling \$199,915, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Donald Empey, Ed.D., Interim Superintendent of Schools,
Glendale Unified School District
Robert McEntire, Chief Business and Financial Officer, Business Services
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Glendale Unified School District for the legislatively mandated Collective Bargaining and Collective Bargaining Agreement Disclosure Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012.

The district claimed \$678,194 for the mandated program. Our audit found that \$236,907 is allowable and \$441,287 is unallowable. The costs are unallowable primarily because the district claimed costs for ineligible activities and unsupported costs, failed to offset its Winton Act base-year costs against the current-year Rodda Act costs, and overstated its indirect costs. The State paid the district \$36,992. The State will pay allowable costs claimed that exceed the amount paid, totaling \$199,915, 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 [Commission]) 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 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, [FY] 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 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 to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Collective Bargaining and Collective Bargaining Agreement Disclosure Program for the period of July 1, 2008, through June 30, 2012.

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.

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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.
- Tested transactions selected through auditor judgment for the relevant costs.

Conclusion

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

For the audit period, the Glendale Unified School District claimed \$678,194 for costs of the Collective Bargaining and Collective Bargaining Agreement Disclosure Program. Our audit found that 236,907 is allowable and 441,287 is unallowable.

For the FY 2008-09 claim, the State paid the district \$19,097. Our audit found that \$67,622 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$48,525, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district \$17,895. Our audit found that \$113,727 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$95,832, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our audit disclosed that \$44,876 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 audit disclosed that \$10,682 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on October 23, 2015. On November 2, 2015, Maria Gandera, Assistant Superintendent, Human Resources responded via email stating that after review of the draft report the district will not be filing a response.

Restricted Use

This report is solely for the information and use of Glendale Unified School District, the Los Angeles County Office of Education, 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, CPA
Chief, Division of Audits

November 24, 2015

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 68,664	\$ 47,546	\$ (21,118)	Finding 1
Materials and Supplies	570	140	(430)	Finding 2
Contract services	27,597	21,520	(6,077)	Finding 3
Subtotal	96,831	69,206	(27,625)	
Less base year direct costs adjusted by implicit price deflator	-	(40,308)	(40,308)	Finding 4
Increased direct costs, G1 through G3	96,831	28,898	(67,933)	
Component activities G4 through G7:				
Salaries and benefits	21,652	12,806	(8,846)	Finding 1
Contract services	32,780	23,789	(8,991)	Finding 3
Increased direct costs, G4 through G7	54,432	36,595	(17,837)	
Total increased direct costs, G1 through G7	151,263	65,493	(85,770)	
Indirect costs	2,953	2,129	(824)	Finding 5
Total program costs	<u>\$ 154,216</u>	67,622	<u>\$ (86,594)</u>	
Less amount paid by the State		(19,097)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,525</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 32,880	\$ 17,169	\$ (15,711)	Finding 1
Materials and supplies	1,881	317	(1,564)	Finding 2
Contract services	102,147	58,230	(43,917)	Finding 3
Subtotal	136,908	75,716	(61,192)	
Less base year direct costs adjusted by implicit price deflator	-	(40,754)	(40,754)	Finding 4
Increased direct costs, G1 through G3	136,908	34,962	(101,946)	
Component activities G4 through G7:				
Salaries and benefits	17,516	7,079	(10,437)	Finding 1
Contract services	72,035	67,175	(4,860)	Finding 3
Increased direct costs, G4 through G7	89,551	74,254	(15,297)	
Total increased direct costs, G1 through G7	226,459	109,216	(117,243)	
Indirect costs	2,159	4,511	2,352	Finding 5
Total program costs	<u>\$ 228,618</u>	113,727	<u>\$ (114,891)</u>	
Less amount paid by the State		(17,895)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 95,832</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 74,715	\$ 37,380	\$ (37,335)	Findings 1, 6
Materials and supplies	1,406	-	(1,406)	Finding 2
Contract services	12,618	7,052	(5,566)	Findings 3, 6
Subtotal	<u>88,739</u>	<u>44,432</u>	<u>(44,307)</u>	
Less base year direct costs adjusted by implicit price deflator	<u>-</u>	<u>(41,710)</u>	<u>(41,710)</u>	Finding 4
Increased direct costs, G1 through G3	<u>88,739</u>	<u>2,722</u>	<u>(86,017)</u>	
Component activities G4 through G7:				
Salaries and benefits	70,339	15,549	(54,790)	Finding 1
Contract services	40,988	24,854	(16,134)	Finding 3
Increased direct costs, G4 through G7	<u>111,327</u>	<u>40,403</u>	<u>(70,924)</u>	
Total increased direct costs, G1 through G7	200,066	43,125	(156,941)	
Indirect costs	<u>6,131</u>	<u>1,751</u>	<u>(4,380)</u>	Finding 5
Total program costs	<u>\$ 206,197</u>	44,876	<u>\$ (161,321)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 44,876</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 50,328	\$ 38,032	\$ (12,296)	Finding 1
Contract Services	7,405	2,865	(4,540)	Findings 3, 6
Subtotal	<u>57,733</u>	<u>40,897</u>	<u>(16,836)</u>	
Less base year direct costs adjusted by implicit price deflator	<u>-</u>	<u>(43,121)</u>	<u>(43,121)</u>	Finding 4
Total	<u>57,733</u>	<u>(2,224)</u>	<u>(59,957)</u>	
Adjustment to eliminate negative balance	<u>-</u>	<u>2,224</u>	<u>2,224</u>	
Increased direct costs, G1 through G3	<u>57,733</u>	<u>-</u>	<u>(57,733)</u>	
Component activities G4 through G7:				
Salaries and benefits	28,407	10,287	(18,120)	Finding 1
Contract services	-	-	-	Findings 3, 6
Increased direct costs, G4 through G7	<u>28,407</u>	<u>10,287</u>	<u>(18,120)</u>	
Total increased direct costs, G1 through G7	86,140	10,287	(75,853)	
Indirect costs	<u>3,023</u>	<u>395</u>	<u>(2,628)</u>	Finding 5
Total program costs	<u>\$ 89,163</u>	10,682	<u>\$ (78,481)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 10,682</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2008, through June 30, 2012</u>				
Total increased direct costs	\$ 663,928	\$ 228,121	\$ (435,807)	
Indirect costs	14,266	8,786	(5,480)	
Total program costs	<u>\$ 678,194</u>	236,907	<u>\$ (441,287)</u>	
Less amount paid by the State		(36,992)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 199,915</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated salaries
and benefits**

The district claimed total costs of \$364,501 in salaries and benefits during the audit period. We determined that \$185,848 is allowable and \$178,653 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

The following table summarizes the overstated salaries and benefits by cost component for the audit period:

	<u>Amount Claimed</u>	<u>Amount Allowed</u>	<u>Audit Adjustment</u>
<u>FY 2008-09</u>			
G3 - Cost of negotiations	\$ 68,664	\$ 47,546	\$ (21,118)
G4 - Impasse proceedings	2,418	-	(2,418)
G6 - Contract administration	19,234	12,806	(6,428)
Subtotal	<u>\$ 90,316</u>	<u>\$ 60,352</u>	<u>\$ (29,964)</u>
<u>FY 2009-10</u>			
G3 - Cost of negotiations	\$ 32,880	\$ 17,169	\$ (15,711)
G4 - Impasse proceedings	8,330	-	(8,330)
G6 - Contract administration	9,186	7,079	(2,107)
Subtotal	<u>\$ 50,396</u>	<u>\$ 24,248</u>	<u>\$ (26,148)</u>
<u>FY 2010-11</u>			
G3 - Cost of negotiations	\$ 74,715	\$ 37,380	\$ (37,335)
G4 - Impasse proceedings	6,158	899	(5,259)
G6 - Contract administration	64,181	14,650	(49,531)
Subtotal	<u>\$ 145,054</u>	<u>\$ 52,929</u>	<u>\$ (92,125)</u>
<u>FY 2011-12</u>			
G3 - Cost of Negotiations	\$ 50,328	\$ 38,032	\$ (12,296)
G6 - Contract administration	28,407	10,287	(18,120)
Subtotal	<u>\$ 78,735</u>	<u>\$ 48,319</u>	<u>\$ (30,416)</u>
<u>Summary</u>			
G3 - Cost of negotiations	\$ 226,587	\$ 140,127	\$ (86,460)
G4 - Impasse proceedings	16,906	899	(16,007)
G6 - Contract administration	121,008	44,822	(76,186)
Total	<u>\$ 364,501</u>	<u>\$ 185,848</u>	<u>\$ (178,653)</u>

Component G3 – Cost of Negotiations:

The district claimed \$226,587 for salaries and benefits that included costs claimed for at-table negotiations, pre-negotiation activities (preparation/planning sessions), substitutes used for the meetings, and side-table meetings (Employee Benefits/Health Committee). Of that total, \$140,127 is allowable and \$86,460 is unallowable. The costs are unallowable because the district claimed ineligible costs, overstated substitute costs, and claimed unsupported costs.

The costs of \$86,460 are unallowable as follows:

Ineligible Costs

- The district claimed \$718 in ineligible costs for hours spent by management staff making copies.
- The district claimed \$14,791 in preparation costs that were not substantiated with source documentation.

Overstated Costs

The district claimed \$5,258 for substitute services that was not supported by source documentation.

Unsupported Cost

- The district claimed \$38,161 in unsupported hours for time spent attending at-table negotiation meetings. Only a portion of the claimed activities was supported.
- The district included unsupported hours totaling \$27,532 for negotiation meetings held exclusively for health benefit negotiations. Only a portion of the claimed hours was supported.

Component G4 – Impasse Proceedings

The district claimed \$16,906 for salaries and benefits for the Impasse Proceedings cost component for the audit period. We found that \$899 is allowable and \$16,007 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

The costs of \$16,007 are unallowable as follows:

Ineligible Costs

- The district claimed \$15,000 for fact-finding costs for individuals that were not district representatives on the fact-finding committee.

Unsupported Costs

- The district claimed \$1,007 in unsupported mediation hours.

Component G6 – Contract Administration

The district claimed \$121,008 for salaries and benefits for the Contract Administration cost component for the audit period. We found that \$44,822 is allowable and \$76,186 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible Costs

- The district claimed \$178 for work on disciplinary issues that are not eligible for reimbursement. These costs were commingled with grievance costs claimed.
- The district claimed \$10,429 in ineligible training preparation costs. Preparation for training sessions is not identified in the parameters and guidelines as a reimbursable activity; therefore, it is an ineligible cost.

Unsupported Costs

- The district overstated hours worked on grievances, totaling \$12,696. The supporting documentation provided substantiated only a portion of the hours claimed.
- The district claimed \$52,883 for the adjudication of grievances that was not supported by source documentation. These costs are unsupported and therefore, unallowable.

The program's parameters and guidelines (section G) state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

For negotiation planning sessions in the Cost of Negotiations cost component, the parameters and guidelines (section G(3)(c)) direct claimants to:

Show the costs of salaries and benefits for employee representatives and employees participating in negotiation planning sessions.

For substitute costs in the Cost of Negotiations cost component, the parameters and guidelines (section G(3)(c)) direct claimants to:

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.

For salaries and benefits in the Impasse Proceedings cost component, the parameters and guidelines (section G(4)(a)) state that the salaries and benefits of employer representatives attending mediation sessions are reimbursable.

For salaries and benefits in the Contract Administration cost component, the parameters and guidelines (section G(6)(a)) state that the salaries and benefits of employer personnel involved in adjudication of contract disputes are reimbursable.

Recommendation

Commencing in fiscal year (FY) 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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 materials
and supplies**

Under the Cost of Negotiations cost component, the district claimed \$3,857 for materials and supplies in the first three years of the audit period. We determined that \$457 is allowable and \$3,400 is unallowable. The unallowable costs consist of ineligible food and refreshments purchased for at-table negotiation meetings. These costs are not identified as reimbursable per the program’s parameters and guidelines, and are therefore, ineligible.

The following table summarizes the unallowable materials and supplies costs:

	<u>Amount Claimed</u>	<u>Amount Allowed</u>	<u>Audit Adjustment</u>
FY 2008-09	\$ 570	\$ 140	\$ (430)
FY 2009-10	1,881	317	(1,564)
FY 2010-11	<u>1,406</u>	<u>-</u>	<u>(1,406)</u>
Total	<u>\$ 3,857</u>	<u>\$ 457</u>	<u>\$ (3,400)</u>

For the Cost of Negotiations cost component, the parameters and guidelines (section G(3)) identify the following reimbursable functions:

...receipt of exclusive representative's initial contract proposal, holding of public hearings, providing a reasonable number of copies of the employer's proposed contract to the public, development and presentation of the initial district contract proposal, negotiation of the contract, reproduction and distribution of the final contract agreement.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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 \$295,570 for contract services for the audit period. We determined that \$205,485 is allowable and \$90,085 is unallowable. The costs are unallowable because the district did not provide supporting documentation for a portion of the costs claimed and included ineligible costs.

The following table summarizes the unallowable contract service costs:

	Amount Claimed	Amount Allowed	Audit Adjustment
<u>FY 2008-09</u>			
G3 - Cost of negotiations	\$ 27,597	\$ 21,520	\$ (6,077)
G4 - Impasse proceedings	8,991	-	(8,991)
G6 - Contract administration	23,789	23,789	-
Subtotal	<u>\$ 60,377</u>	<u>\$ 45,309</u>	<u>\$ (15,068)</u>
<u>FY 2009-10</u>			
G3 - Cost of negotiations	\$ 102,147	\$ 58,230	\$ (43,917)
G4 - Impasse proceedings	8,046	3,186	(4,860)
G6 - Contract administration	63,989	63,989	-
Subtotal	<u>\$ 174,182</u>	<u>\$ 125,405</u>	<u>\$ (48,777)</u>
<u>FY 2010-11</u>			
G3 - Cost of negotiations	\$ 12,618	\$ 7,052	\$ (5,566)
G4 - Impasse proceedings	25,138	16,848	(8,290)
G6 - Contract administration	3,659	2,889	(770)
G7 - Unfair labor practice	12,191	5,117	(7,074)
Subtotal	<u>\$ 53,606</u>	<u>\$ 31,906</u>	<u>\$ (21,700)</u>
<u>FY 2011-12</u>			
G3 - Cost of negotiations	\$ 7,405	\$ 2,865	\$ (4,540)
Subtotal	<u>\$ 7,405</u>	<u>\$ 2,865</u>	<u>\$ (4,540)</u>
<u>Summary</u>			
G3 - Cost of negotiations	\$ 149,767	\$ 89,667	\$ (60,100)
G4 - Impasse proceedings	42,175	20,034	(22,141)
G6 - Contract administration	91,437	90,667	(770)
G7 - Unfair labor practice	12,191	5,117	(7,074)
Total	<u>\$ 295,570</u>	<u>\$ 205,485</u>	<u>\$ (90,085)</u>

Component G3 – Cost of Negotiation

For the Cost of Negotiations cost component, the district claimed \$149,767. We determined that \$89,667 is allowable and \$60,100 is unallowable.

The costs are unallowable because the district did not substantiate portions of costs claimed with supporting documentation, claimed consultant costs using an hourly rate that was higher than what is eligible for the mandate, and included ineligible costs.

Ineligible Costs

For FY 2010-11 and FY 2011-12, the district claimed the entire cost of access to an online research database, totaling \$9,000. The database provides access to information that can be used for a variety of uses, such as legal research and access to laws and regulations. The district did not support the portion related to the mandate.

Overstated Costs

In FY 2009-10, the district claimed consultant services in excess of \$135 per hour. The parameters and guidelines allow a maximum hourly rate of \$135 per hour. The district claimed \$255 per hour for one of its consultants. The difference between the hourly rate that was claimed and the mandated \$135 per hour rate is unallowable.

Unsupported Costs

- The district claimed unsupported legal costs totaling \$41,434. The lawyer logs provided supported only a portion of the costs claimed.
- The district provided no support for claimed association fees totaling \$2,526.

Component G4 – Impasse Proceedings

The district claimed \$42,175 for contract services for the Impasse Proceedings cost component during the audit period. We determined that \$20,034 is allowable and \$22,141 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible Costs

The district claimed \$10,073 in ineligible mediator costs. The parameters and guidelines do not identify mediator costs as a reimbursable activity.

Unsupported Costs

- For FY 2008-09, the district claimed unsupported legal services costs totaling \$8,991.
- For FY 2010-11, the district claimed unsupported legal costs totaling \$3,077. The lawyer logs provided supported only a portion of the costs claimed.

Component G6 – Contract Administration

The district claimed \$91,437 for contract services for the Contract Administration cost component for the audit period. We determined that \$90,667 is allowable and \$770 is unallowable. Unallowable costs relate to work on disciplinary issues. Such costs are ineligible because they are not identified as reimbursable in the parameters and guidelines.

Component G7 – Unfair Labor Practice Charges

The district claimed \$12,191 for contract services in the Unfair Labor Practice Charges cost component during the audit period. We determined that \$5,117 is allowable and \$7,074 is unallowable. The district did not provide support for the \$7,074 in unallowable costs. The lawyer logs provided to substantiate these costs supported only a portion of the claimed costs.

The parameters and guidelines (section G) state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

For Cost of Negotiations the parameters and guidelines (section G(3)) identify the following reimbursable functions:

...receipt of exclusive representative's initial contract proposal, holding of public hearings, providing a reasonable number of copies of the employer's proposed contract to the public, development and presentation of the initial district contract proposal, negotiation of the contract, reproduction and distribution of the final contract agreement.

In regard to profession and consultant services, the parameters and guidelines (section H(5)) state that the maximum reimbursable fee for contracted services is \$135 per hour.

For the Impasse Proceedings cost component, the parameters and guidelines (section G(4)(a)(4)) state that the costs of the mediator will not be reimbursed.

For salaries and benefits in the Contract Administration cost component, the parameters and guidelines (section G(6)(a)) state that the salaries and benefits of employer personnel involved in adjudication of contract disputes are reimbursable.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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 4— Unreported Winton Act base-year direct costs

The district did not report the Winton Act direct costs on its mandated cost claims for the audit period. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, thus understating the Winton Act base-year costs by \$165,893 for the audit period.

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

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Winton Act base year costs, FY 1995-96	\$ (9,101)	\$ (9,101)	\$ (9,101)	\$ (9,101)	
Implicit Price Deflator (IPD)	4.429	4.478	4.583	4.738	
Winton Act base-year costs adjusted by the	(40,308)	(40,754)	(41,710)	(43,121)	(165,893)
Less: Reported Winton Act base year costs	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	<u>\$ (40,308)</u>	<u>\$ (40,754)</u>	<u>\$ (41,710)</u>	<u>\$ (43,121)</u>	<u>\$ (165,893)</u>

The parameters and guidelines (section H., Supporting Data for Claims – Report Format for Submission of Claim) state:

- 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 Implicit Price Deflator is reported in the SCO’s annual claiming instructions.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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 5—
Overstated indirect
costs**

The district claimed \$14,266 for indirect costs for the audit period. We determined that the district overstated its indirect costs by \$5,480. This net adjustment consists of \$16,913 in overstated indirect costs that resulted from the adjustments identified in Findings 1 through 4 reduced by \$9,156 in unclaimed indirect costs for contract services for FY 2008-09 and FY 2009-10, and \$2,277 in unclaimed indirect costs due to computation errors by the district for FY 2010-11 and FY 2011-12.

The following table summarizes the calculations of indirect costs:

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Total direct costs	\$ 105,801	\$ 149,970	\$ 84,835	\$ 51,184	
Less: base year costs	40,308	40,754	41,710	43,121	
Add: adjustment for negative balance	-	-	-	2,224	
Increased direct costs	65,493	109,216	43,125	10,287	
Indirect cost rate	3.25%	4.13%	4.06%	3.84%	
Allowable indirect costs	2,129	4,511	1,751	395	\$ 8,786
Less: claimed indirect costs	2,953	2,159	6,131	3,023	14,266
Audit adjustment	\$ (824)	\$ 2,352	\$ (4,380)	\$ (2,628)	\$ (5,480)

<u>Indirect cost adjustment</u>	<u>Total</u>
Unallowable related indirect costs	\$ (16,913)
Unclaimed indirect costs on contract services	9,156
Unclaimed indirect costs due to calculation errors	2,277
Audit adjustment	\$ (5,480)

The parameters and guidelines (Section H. Supporting Data for Claims - Report Format for Submission of Claims) state:

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 parameters and guidelines require the claimant to use a California Department of Education (CDE) approved indirect cost rates. The CDE developed the indirect cost rates using direct cost as the base. However, the district only applied the indirect cost rates to direct costs, less contract services for FY 2008-09 and FY 2009-10 as a result of incorrect claim instructions.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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 6—
Miscategorized costs**

For FY 2010-11 and FY 2011-12, the district claimed costs in the incorrect section or cost component of the claim. In order to report costs consistently throughout the audit period, we moved the costs to the appropriate sections of the claim. This adjustment has no impact on the total claimed amounts for the audit period.

For FY 2010-11, we moved \$4,563 in lawyer fees from salaries and benefits to contract services within the G3 – Cost of Negotiation cost component.

For FY 2011-12, we moved \$7,405 in association dues and costs for research tools within the contract services cost category from cost component G6 – Contract Administration to G3 – Cost of Negotiations.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensures 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.

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