

FAIRFIELD-SUISUN UNIFIED SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2000, through June 30, 2003



JOHN CHIANG
California State Controller

September 2007



JOHN CHIANG
California State Controller

September 26, 2007

A. Woodrow Carter, Superintendent
Fairfield-Suisun Unified School District
2490 Hilborn Road
Fairfield, CA 94534

Dear Mr. Carter:

The State Controller's Office audited the costs claimed by the Fairfield-Suisun 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, 2000, through June 30, 2003.

The district claimed and was paid \$706,132 for the mandated program. Our audit disclosed that \$585,186 is allowable and \$120,946 is unallowable. The unallowable costs occurred because the district claimed ineligible and unsupported costs. The State will offset \$120,946 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:vb

Attachment

cc: Kari Sousa, Assistant Superintendent
Operations/Finance Division
Fairfield-Suisun Unified School District
Dee Alarcón, Superintendent of Schools
Solano County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal Services Division
California Department of Education
Gerry Shelton, Director
Fiscal and Administrative Services Division
California Department of Education
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Fairfield-Suisun 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, 2000, through June 30, 2003. The last day of fieldwork was September 7, 2005.

The district claimed and was paid \$706,132 for the mandated program. Our audit disclosed that \$585,186 is allowable and \$120,946 is unallowable. The unallowable costs occurred because the district claimed ineligible and unsupported costs. The State will offset \$120,946 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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, 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 claim 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 parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on October 22, 1980, and last amended them on January 27, 2000. In compliance with Government Code section 17558, the SCO issues claiming instructions for each mandated requiring state reimbursement to assist local agencies and school districts in claiming 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, 2000, through June 30, 2003.

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 the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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 disclosed 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 Fairfield-Suisun Unified School District claimed and was paid \$706,132 for costs of the Collective Bargaining Program. Our audit disclosed that \$585,186 is allowable and \$120,946 is unallowable. The State paid the district \$706,132. The State will offset \$120,946 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on May 30, 2007. Elaine Bruno, Administrative Secretary, responded by telephone on August 21, 2007, on behalf of Kari Sousa, Assistant Superintendent, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Fairfield-Suisun Unified School District, the Solano 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
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 28,325	\$ 8,947	\$ (19,378)	Finding 1
Materials and supplies	65	65	—	
Contracted services	<u>171,728</u>	<u>164,276</u>	<u>(7,452)</u>	Finding 2
Subtotals	200,118	173,288	(26,830)	
Less adjusted base-year direct costs	<u>(3,929)</u>	<u>(3,929)</u>	—	
Increased direct costs, G1 through G3	<u>196,189</u>	<u>169,359</u>	<u>(26,830)</u>	
Components activities G4 through G7:				
Salaries and benefits	12,402	4,647	(7,755)	Finding 1
Contracted services	<u>192,594</u>	<u>192,594</u>	—	
Increased direct costs, G4 through G7	<u>204,996</u>	<u>197,241</u>	<u>(7,755)</u>	
Total increased direct costs, G1 through G7	401,185	366,600	(34,585)	
Indirect costs	<u>2,031</u>	<u>536</u>	<u>(1,495)</u>	Finding 1
Total program costs	<u>\$ 403,216</u>	367,136	<u>\$ (36,080)</u>	
Less amount paid by the State		<u>(403,216)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (36,080)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 48,799	\$ 32,700	\$ (16,099)	Finding 1
Materials and supplies	623	623	—	
Contracted services	<u>34,027</u>	<u>34,027</u>	—	
Subtotals	83,449	67,350	(16,099)	
Less adjusted base-year direct costs	<u>(3,985)</u>	<u>(3,985)</u>	—	
Increased direct costs, G1 through G3	<u>79,464</u>	<u>63,365</u>	<u>(16,099)</u>	
Components activities G4 through G7:				
Salaries and benefits	63,901	4,440	(59,461)	Finding 1
Contracted services	<u>33,038</u>	<u>33,038</u>	—	
Increased direct costs, G4 through G7	<u>96,939</u>	<u>37,478</u>	<u>(59,461)</u>	
Total increased direct costs, G1 through G7	176,403	100,843	(75,560)	
Indirect costs	<u>6,046</u>	<u>1,868</u>	<u>(4,178)</u>	Finding 1
Total program costs	<u>\$ 182,449</u>	102,711	<u>\$ (79,738)</u>	
Less amount paid by the State		<u>(182,449)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (79,738)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 25,920	\$ 23,320	\$ (2,600)	Finding 1
Materials and supplies	482	482	—	
Contracted services	<u>45,858</u>	<u>45,858</u>	<u>—</u>	
Subtotals	72,260	69,660	(2,600)	
Less adjusted base-year direct costs	<u>(4,074)</u>	<u>(4,074)</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>68,186</u>	<u>65,586</u>	<u>(2,600)</u>	
Components activities G4 through G7:				
Salaries and benefits	11,581	9,296	(2,285)	Finding 1
Contracted services	<u>39,011</u>	<u>39,011</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>50,592</u>	<u>48,307</u>	<u>(2,285)</u>	
Total increased direct costs, G1 through G7	118,778	113,893	(4,885)	
Indirect costs	<u>1,689</u>	<u>1,446</u>	<u>(243)</u>	Finding 1
Total program costs	<u>\$ 120,467</u>	115,339	<u>\$ (5,128)</u>	
Less amount paid by the State		<u>(120,467)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,128)</u>		
<u>Summary: July 1, 2000, through June 30, 2003</u>				
Total increased direct costs	\$ 696,366	\$ 581,336	\$ (115,030)	
Indirect costs	<u>9,766</u>	<u>3,850</u>	<u>(5,916)</u>	
Total program costs	<u>\$ 706,132</u>	585,186	<u>\$ (120,946)</u>	
Less amount paid by the State		<u>(706,132)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (120,946)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits, and related indirect costs

The district overclaimed \$107,578 in salaries and benefits for the audit period. The related indirect costs totaled \$5,916. The overstated salaries and benefits costs resulted from the following.

- The district claimed \$2,481 of ineligible costs for time spent by the district superintendents.
- The district claimed ineligible costs of \$56,879 in fiscal year (FY) 2001-02 for time spent attending a strike meeting. Costs incurred attending a strike meeting are not mandate-related and, therefore, are not reimbursable.
- The district overstated claimed costs by \$48,218 (\$24,652 for FY 2000-01, \$18,681 for FY 2001-02, and \$4,885 for FY 2002-03). The district did not provide records to substantiate some of its costs. In addition, the district overstated productive hourly rates. The district did not provide records to substantiate the claimed productive hourly rates. We reviewed the payroll records and noted overstated productive hourly rates for four of the six selected employees. For the remaining two employees, our test revealed that productive hourly rates were understated. The above adjustment incorporates the effect of the overstated and understated productive hourly rates.

The following table shows unallowable salaries and benefits, and related indirect costs.

	Fiscal Year			Total
	2000-01	2001-02	2002-03	
Salaries and benefits				
Component G1 through G3:				
Ineligible costs	\$ (2,481)	\$ —	\$ —	\$ (2,481)
Unsupported costs	(16,897)	(16,099)	(2,600)	(35,596)
Subtotal	(19,378)	(16,099)	(2,600)	(38,077)
Component G4 through G7:				
Strike-related costs	—	(56,879)	—	(56,879)
Unsupported costs	(7,755)	(2,582)	(2,285)	(12,622)
Subtotal	(7,755)	(59,461)	(2,285)	(69,501)
Total salaries and benefits	(27,133)	(75,560)	(4,885)	(107,578)
Indirect cost rate	× 5.51%	× 5.53%	× 4.98%	
Related indirect costs	(1,495)	(4,178)	(243)	(5,916)
Audit adjustment	\$ (28,628)	\$ (79,738)	\$ (5,128)	\$ (113,494)

The program's parameters and guidelines require the claimant to show the classification of the employee involved, the amount of time the employee spent on an activity, and the employee's hourly rate. In addition, the guidelines require the claimant to show the costs of salaries and benefits for employer representatives participating in negotiations.

The parameters and guidelines state that the claimant must support the level of costs claimed and that the claimant will be reimbursed only for the increased costs incurred. In addition, the parameters and guidelines state that the costs of a governing authority such as school superintendent are not reimbursable under the program.

Recommendation

We recommend that the district establish an adequate recording and reporting system to ensure that all claimed costs are eligible increased costs incurred as a result of the mandate, and that the claimed costs are supported by appropriate documentation.

District's Response

The district agrees with the audit finding.

**FINDING 2—
Unallowable contract
services**

The district mistakenly claimed contract services costs of \$7,452 twice in FY 2000-01.

The parameters and guidelines state that the claimant must support the level of claimed and the claimant will be reimbursed for the increased costs incurred.

Recommendation

We recommend that the district establish an adequate recording and reporting system to ensure that all claimed costs are eligible increased costs incurred as a result of the mandate, and that the claimed costs are supported by appropriate documentation.

District's Response

The district agrees with the audit finding.

**State Controller's Office
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