

PERRIS UNION HIGH SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2000, through June 30, 2004



JOHN CHIANG
California State Controller

May 2007



JOHN CHIANG
California State Controller

May 18, 2007

Jonathan Greenberg, Ed.D., Superintendent
Perris Union High School District
155 East 4th Street
Perris, CA 92570-2124

Dear Dr. Greenberg:

The State Controller's Office audited the costs claimed by Perris Union High 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, 2004.

The district claimed and was paid \$807,927 (\$808,927 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$546,636 is allowable and \$261,291 is unallowable. The unallowable costs occurred primarily because the district claimed ineligible and unsupported costs for salaries and benefits. The State will offset \$261,291 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

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/ams:vb

cc: Candice Reines, Director of Fiscal Services
Perris Union High School District
David Long, Ph. D. County Superintendent of Schools
Riverside County Office of Education
Scott Hannan, Director
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Perris Union High 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, 2004. The last day of fieldwork was June 28, 2005.

The district claimed and was paid \$807,927 (\$808,927 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$546,636 is allowable and \$261,291 is unallowable. The unallowable costs occurred primarily because the district claimed ineligible and unsupported costs for salaries and benefits. The State will offset \$261,291 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 [COSM]) determined that the Rodda Act imposed a reimbursable 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 COSM 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

Parameters and Guidelines, adopted by the COSM on October 22, 1980 (last amended on January 27, 2000), establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement in assisting 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, 2004.

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.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district did not submit a representation letter.

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, Perris Union High School District claimed and was paid \$807,927 (\$808,927 less a \$1,000 penalty for filing a late claim) for costs of the Collective Bargaining Program. Our audit disclosed that \$546,636 is allowable and \$261,291 is unallowable. The State will offset \$261,291 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on February 7, 2007. Candice Reines, Director of Fiscal Services, responded by e-mail on April 13, 2007, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of Perris Union High School District, the Riverside 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, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Components G1 through G3:				
Salaries and benefits	\$ 99,898	\$ 79,243	\$ (20,655)	Finding 1
Materials and supplies	458	458	—	
Contracted services	<u>55,777</u>	<u>55,777</u>	<u>—</u>	
Subtotals	156,133	135,478	(20,655)	
Less adjusted base-year direct costs	<u>—</u>	<u>—</u>	<u>—</u>	
Total increased direct costs G1 through G3	<u>156,133</u>	<u>135,478</u>	<u>(20,655)</u>	
Components G4 through G7:				
Salaries and benefits	27,644	9,198	(18,446)	Finding 1
Materials and supplies	211	211	—	
Contracted services	<u>46,459</u>	<u>46,459</u>	<u>—</u>	
Total increased direct costs G4 through G7	<u>74,314</u>	<u>55,868</u>	<u>(18,446)</u>	
Total increased direct costs G1 through G7	230,447	191,346	(39,101)	
Indirect costs	<u>10,424</u>	<u>5,026</u>	<u>(5,398)</u>	Findings 1, 2, 3
Total direct and indirect costs	240,871	196,372	(44,499)	
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>	
Total program costs	<u>\$ 240,871</u>	196,372	<u>\$ (44,499)</u>	
Less amount paid by the State		<u>(240,871)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (44,499)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Components G1 through G3:				
Salaries and benefits	\$ 40,184	\$ 18,949	\$ (21,235)	Finding 1
Materials and supplies	696	696	—	
Contracted services	<u>47,799</u>	<u>47,799</u>	<u>—</u>	
Subtotals	88,679	67,444	(21,235)	
Less adjusted base-year direct costs	<u>—</u>	<u>—</u>	<u>—</u>	
Total increased direct costs G1 through G3	<u>88,679</u>	<u>67,444</u>	<u>(21,235)</u>	
Components G4 through G7:				
Salaries and benefits	47,594	—	(47,594)	Finding 1
Materials and supplies	1,019	1,019	—	
Contracted services	<u>76,017</u>	<u>76,017</u>	<u>—</u>	
Total increased direct costs G4 through G7	<u>124,630</u>	<u>77,036</u>	<u>(47,594)</u>	
Total increased direct costs G1 through G7	213,309	144,480	(68,829)	
Indirect costs	<u>6,256</u>	<u>1,445</u>	<u>(4,811)</u>	Findings 1, 3
Total direct and indirect costs	219,565	145,925	(73,640)	
Less offsetting savings/reimbursements	<u>—</u>	<u>—</u>	<u>—</u>	
Total program costs	<u>\$ 219,565</u>	145,925	<u>\$ (73,640)</u>	
Less amount paid by the State		<u>(219,565)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (73,640)</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 G1 through G3:				
Salaries and benefits	\$ 39,825	\$ 35,783	\$ (4,042)	Finding 1
Materials and supplies	653	653	—	
Contracted services	38,889	38,889	—	
Subtotals	<u>79,367</u>	<u>75,325</u>	<u>(4,042)</u>	
Less adjusted base-year direct costs	—	—	—	
Total increased direct costs G1 through G3	<u>79,367</u>	<u>75,325</u>	<u>(4,042)</u>	
Components G4 through G7:				
Salaries and benefits	115,595	4,974	(110,621)	Finding 1
Materials and supplies	355	355	—	
Contracted services	21,870	21,870	—	
Total increased direct costs G4 through G7	<u>137,820</u>	<u>27,199</u>	<u>(110,621)</u>	
Total increased direct costs G1 through G7	217,187	102,524	(114,663)	
Indirect costs	10,981	2,932	(8,049)	Findings 1, 3
Total direct and indirect costs	228,168	105,456	(122,712)	
Late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 227,168</u>	104,456	<u>\$ (122,712)</u>	
Less amount paid by the State		(227,168)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (122,712)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Components G1 through G3:				
Salaries and benefits	\$ 18,544	\$ 21,407	\$ 2,863	Finding 1
Materials and supplies	783	783	—	
Contracted services	44,560	44,560	—	
Subtotals	<u>63,887</u>	<u>66,750</u>	<u>2,863</u>	
Less adjusted base-year direct costs	—	—	—	
Total increased direct costs G1 through G3	<u>63,887</u>	<u>66,750</u>	<u>2,863</u>	
Components G4 through G7:				
Salaries and benefits	25,443	3,224	(22,219)	Finding 1
Materials and supplies	334	334	—	
Contracted services	28,133	28,133	—	
Total increased direct costs G4 through G7	<u>53,910</u>	<u>31,691</u>	<u>(22,219)</u>	
Total increased direct costs G1 through G7	117,797	98,441	(19,356)	
Indirect costs	2,526	1,442	(1,084)	Findings 1, 3
Total direct and indirect costs	<u>120,323</u>	<u>99,883</u>	<u>(20,440)</u>	
Total program costs	<u>\$ 120,323</u>	99,883	<u>\$ (20,440)</u>	
Less amount paid by the State		(120,323)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,440)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2000, through June 30, 2004</u>				
Total increased direct costs G1 through G7	\$ 778,740	\$ 536,791	\$ (241,949)	Findings 1, 2, 3
Indirect costs	<u>30,187</u>	<u>10,845</u>	<u>(19,342)</u>	
Total direct and indirect costs	808,927	547,636	(261,291)	
Late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total program costs	<u>\$ 807,927</u>	546,636	<u>\$ (261,291)</u>	
Less amount paid by the State		<u>(807,927)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (261,291)</u>	

¹ See the Findings and Recommendations section.

Findings and Recommendations

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

The district claimed unallowable salaries and benefits totaling \$241,949 for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, totaled \$17,123.

Unsupported Hours Claimed

Component G3—Costs of negotiation

The district did not provide source documents to validate employee hours charged totaling \$32,764 during the audit period (\$31,245 for negotiation planning sessions and \$1,519 for negotiation sessions).

- For FY 2000-01, the district provided no support for \$13,822 (192 hours) claimed for the Assistant Superintendent of Personnel serving as the facilitator for formal group negotiation planning sessions. The district provided no corroborating evidence to support the dates on which planning sessions occurred or the names of the employees who attended the sessions.
- For FY 2001-02, the district provided no support for \$21,322 claimed for the outgoing Assistant Superintendent of Personnel (\$12,958 totaling 180 hours for negotiation planning) and incoming Assistant Superintendent of Personnel (\$2,323 totaling 25 hours for negotiation planning and \$6,041 totaling 65 hours for negotiation sessions).
- For FY 2003-04, the district provided six e-mails dated September 2, 2004, for support of \$2,142 (36 hours) claimed for time spent by the Business Manager in negotiation planning sessions. However, the district was unable to trace the costs to supporting documentation. In addition, the district underclaimed \$4,522 (76 hours) spent by the Business Manager in negotiation sessions.

Component G5—Collective bargaining agreement disclosure

- For FY 2001-02, the district provided no support for \$1,394 (15 hours) claimed for the Assistant Superintendent of Personnel.

Component G6—Contract administration—Grievances

The district claimed unallowable costs totaling \$54,180.

- For FY 2000-01, the district claimed \$17,926 that it acknowledged as a mistake in preparing the mandated claim.
- For the audit period, the district provided no support for \$36,254 claimed (\$14,007 for FY 2001-02, \$14,824 for FY 2002-03, and \$7,423 for FY 2003-04). For FY 2002-03, the district claimed 20.6 standard hours for six Principals and five Assistant Principals. For FY 2003-04, the district claimed 16 standard hours for seven Principals.

Component G6–Contract administration–Training

- For FY 2003-04, the district provided no support for employee training sessions totaling \$13,133. The district claimed 20 hours for one Principal and 10 hours each for training six Principals, six Assistant Principals, four Directors, two Supervisors, two Personnel Technicians, as well as the Business Manager, Administrative Assistant, and Executive Assistant.

Component G7–Unfair labor practice costs

- For FY 2001-02, the district provided no support for \$1,800 (25 hours) claimed for the Assistant Superintendent of Personnel.

The following table summarizes the audit adjustments that resulted from the unsupported hours claimed.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Component G3	\$ (13,822)	\$ (21,322)	\$ —	\$ 2,380	\$ (32,764)
Components G4-7	<u>(17,926)</u>	<u>(17,201)</u>	<u>(14,824)</u>	<u>(20,556)</u>	<u>(70,507)</u>
Audit adjustment	<u>\$ (31,748)</u>	<u>\$ (38,523)</u>	<u>\$ (14,824)</u>	<u>\$ (18,176)</u>	<u>\$ (103,271)</u>

Non-Employees Claimed

The district claimed salary and benefit costs totaling \$29,452 during the audit period for employees who were not employed by the district during the fiscal year claimed.

Component G6–Contract administration–Grievances

- FY 2002-03, the district claimed \$6,165 for five employees (two Principals and three Assistant Principals) who were not employed by the district.
- For FY 2003-04, the district claimed \$1,743 for three employees (one Director and two Assistant Principals) who were not employed by the district.

Component G6–Contract administration–Training

- For FY 2002-03, the district claimed \$21,544 for five employees (two Principals and three Assistant Principals) who were not employed by the district.

Training Costs

Component G6—Contract administration–training

The district claimed unallowable costs totaling \$98,004 (\$30,393 for FY 2001-02 and \$67,611 for FY 2002-03) for employee attendance at Interest-Based Bargaining seminars and workshops. These sessions were not held for contract administration/interpretation of the negotiated contract. For FY 2002-03, the district claimed a standard 72 training

hours each for six principals, five assistant principals, and the district's business manager.

Productive Hourly Rates

The district overstated productive hourly rates by \$11,222 during the audit period.

Component G3–Costs of negotiation

- For the audit period, the district misstated costs by \$10,305 (overstatements of \$ 6,833 for FY 2000-01 and \$4,042 in FY 2002-03, and understatements of \$87 in FY 2001-02 and \$483 in FY 2003-04). The misstatements occurred primarily because the district used incorrect salary information in its calculations. In addition, the district calculated some of the rates using less than the standard 1,800 annual productive hours, yet provided no support for the actual number of productive hours used in these calculations.

Component G4–Impasse proceedings and G7–Costs of grievances

- The district misstated costs by \$917 (overstatements of \$520 for FY 2000-01 and \$477 for FY 2002-03, and an understatement of \$80 for FY 2003-04). The misstatements occurred because the district overstated the productive hourly rate for the Assistant Superintendent of Personnel by \$3.85 per hour for FY 2000-01 and by \$6.53 per hour for FY 2002-03 and understated the rate by \$1.97 per hour for FY 2003-04.

The following table summarizes the audit adjustments that resulted from inaccurate productive hourly rates.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Components G1-3	\$ (6,833)	\$ 87	\$ (4,042)	\$ 483	\$ (10,305)
Components G4-7	(520)	—	(477)	80	(917)
Audit adjustment	<u>\$ (7,353)</u>	<u>\$ 87</u>	<u>\$ (4,519)</u>	<u>\$ 563</u>	<u>\$ (11,222)</u>

The following table provides a summary breakdown of unallowable salaries and benefits due to inadequate supporting documentation, non-employees claimed, unallowable training, and incorrect productive hourly rates.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Inadequate supporting documentation:					
Components G1-G3	\$ (13,822)	\$ (21,322)	\$ —	\$ 2,380	\$ (32,764)
Components G4-G7	(17,926)	(17,201)	(14,824)	(20,556)	(70,507)
Subtotal	<u>(31,748)</u>	<u>(38,523)</u>	<u>(14,824)</u>	<u>(18,176)</u>	<u>(103,271)</u>

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Non-employees claimed:					
Components G4-G7	—	—	(27,709)	(1,743)	(29,452)
Unallowable training:					
Components G4-G7	—	(30,393)	(67,611)	—	(98,004)
Overstated productive hourly rates:					
Components G1-G3	(6,833)	87	(4,042)	483	(10,305)
Components G4-G7	(520)	—	(477)	80	(917)
Subtotal	(7,353)	87	(4,519)	563	(11,222)
Total salaries and benefits	(39,101)	(68,829)	(114,663)	(19,356)	(241,949)
Related indirect costs	(3,179)	(4,811)	(8,049)	(1,084)	(17,123)
Audit adjustment	<u>\$ (42,280)</u>	<u>\$ (73,640)</u>	<u>\$ (122,712)</u>	<u>\$ (20,440)</u>	<u>\$ (259,072)</u>

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will be reimbursed only for the increased costs incurred.

Parameters and Guidelines requires the claimant to show the classification of employees involved, the amount of time they spent, and their hourly rates.

Parameters and Guidelines states that reasonable costs incurred for a number of training sessions held for supervisory and management personnel on contract administration/interpretation of the *negotiated contract* (italics added) are reimbursable. Personal development and informational programs, i.e. classes, conferences, seminars, workshops, and time spent by employees attending such meetings are not reimbursable.

Recommendation

We recommend that the district develop and implement an adequate recording and reporting system to ensure that all claimed costs are eligible and properly supported.

District's Response

The district agrees with the audit finding.

**FINDING 2—
Overstated indirect
cost rate**

The district overstated indirect costs by \$2,219 for FY 2000-01 because it overstated the indirect cost rate by 2.49% in its reimbursement claim. The district used an indirect cost rate of 8.13% applicable for costs claimed in FY 1999-2000 instead of the indirect cost rate approved by the California Department of Education for FY 2000-01 of 5.64%.

The following table summarizes the unallowable indirect costs.

	Fiscal Year 2000-01
Allowable salaries and benefits	\$ 88,441
Allowable materials and supplies	<u>669</u>
Subtotal	89,110
Overstated indirect cost rate	<u>× (2.49)%</u>
Audit adjustment	<u>\$ (2,219)</u>

Parameters and Guidelines states that school districts must use the Form J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

Recommendation

We recommend that the district establish and implement procedures to ensure that claimed indirect costs are properly supported.

District's Response

The district agrees with the audit finding.

**State Controller's Office
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