



**JOHN CHIANG**  
California State Controller

June 13, 2014

Steven E. Keller, Ed.D, Superintendent  
Redondo Beach Unified School District  
1401 Inglewood Avenue  
Redondo Beach, CA 90278

Dear Dr. Keller:

The State Controller's Office reviewed the costs claimed by Redondo Beach 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. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$90,604 for the mandated program. Our review found that \$39,516 is allowable (\$40,448 less a \$932 penalty for filing a late claim) and \$51,088 is unallowable. The costs are unallowable because the district did not offset its Winton Act base-year costs against its current-year Rodda Act direct costs for fiscal year (FY) 2008-09 through FY 2011-12, and did not claim indirect costs on contract services for FY 2008-09 and FY 2009-10, as described in the attached Summary of Program Costs and the Finding and Recommendation.

For the fiscal year (FY) 2008-09 claim, the State paid the district \$3,751. Our review found that \$15,024 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$11,273, contingent upon available appropriations.

For the FY 2009-2010 claim, the State paid the district \$2,404. Our review found that \$15,631 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$13,227, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our review found that \$475 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 \$8,386 is allowable. The State will pay that amount, contingent upon available appropriations.

We informed Janet Redella, Chief Business Official, of the review adjustment via email on June 3, 2014. We did not receive a response from the district.

If you disagree with the review findings, 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](http://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/mh

Attachments

RE: S14-MCC-941

cc: Janet Redella, Chief Business Official  
Redondo Beach Unified School District  
Marlene Dunn, Director  
Business Advisory Services  
Los Angeles County Office of Education  
Peter Foggiano, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Senior Fiscal Policy Advisor  
Government Affairs 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	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 24,667	\$ 24,667	\$ —	
Contract services	122	122	—	
Subtotal	24,789	24,789	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(14,611)	(14,611)	Finding 1
Increased direct costs, G1 through G3	24,789	10,178	(14,611)	
Component activities G4 through G7:				
Salaries and benefits	4,124	4,124	—	
Contract services	67	67	—	
Increased direct costs, G4 through G7	4,191	4,191	—	
Total increased direct costs, G1 through G7	28,980	14,369	(14,611)	
Indirect costs	1,313	655	(658)	Finding 2
Total program costs	<u>\$ 30,293</u>	15,024	<u>\$ (15,269)</u>	
Less amount paid by the State		(3,751)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,273</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 27,438	\$ 27,438	\$ —	
Contract services	621	621	—	
Subtotal	28,059	28,059	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(14,773)	(14,773)	Finding 1
Increased direct costs, G1 through G3	28,059	13,286	(14,773)	
Component activities G4 through G7:				
Salaries and benefits	1,874	1,874	—	
Contract services	135	135	—	
Increased direct costs, G4 through G7	2,009	2,009	—	
Total increased direct costs, G1 through G7	30,068	15,295	(14,773)	
Indirect costs	645	336	(309)	Finding 2
Total program costs	<u>\$ 30,713</u>	15,631	<u>\$ (15,082)</u>	
Less amount paid by the State		(2,404)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 13,227</u>		

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 6,840	\$ 6,840	\$ —	
Contract services	729	729	—	
Subtotal	7,569	7,569	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(15,119)	(15,119)	Finding 1
Subtotal	7,569	(7,550)	(15,119)	
Adjustment to eliminate negative balance	—	7,550	7,550	
Increased direct costs, G1 through G3	7,569	—	(7,569)	
Component activities G4 through G7:				
Salaries and benefits	452	452	—	
Increased direct costs, G4 through G7	452	452	—	
Total increased direct costs, G1 through G7	8,021	452	(7,569)	
Indirect costs	407	23	(384)	Finding 2
Total program costs	<u>\$ 8,428</u>	475	<u>\$ (7,953)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 475</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 6,774	\$ 6,774	\$ —	
Contract services	4,524	4,524	—	
Subtotal	11,298	11,298	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(15,631)	(15,631)	Finding 1
Subtotal	11,298	(4,333)	(15,631)	
Adjustment to eliminate negative balance	—	4,333	4,333	
Increased direct costs, G1 through G3	11,298	—	(11,298)	
Component activities G4 through G7:				
Salaries and benefits	6,749	6,749	—	
Contract Services	2,134	2,134	—	
Increased direct costs, G4 through G7	8,883	8,883	—	
Total increased direct costs, G1 through G7	20,181	8,883	(11,298)	
Indirect costs	989	435	(554)	Finding 2
Subtotal	21,170	9,318	(11,852)	
Less late filing penalty	—	(932)	(932)	

**Attachment 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2011, through June 30, 2012 (continued)</u>				
Total program costs	\$ 21,170	8,386	\$ (12,784)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 8,386		
<u>Summary: July 1, 2008, through June 30, 2012</u>				
Total increased direct costs, G1 through G7	\$ 87,250	\$ 38,999	\$ (48,251)	
Indirect costs	3,354	1,449	(1,905)	
Total direct and indirect costs	90,604	40,448	(50,156)	
Less late filing penalty <sup>2</sup>	—	(932)	(932)	
Total program costs	\$ 90,604	39,516	\$ (51,088)	
Less amount paid by the State		(6,155)		
Allowable costs claimed in excess of (less than) amount paid		\$ 33,361		

<sup>1</sup> See Attachment 2, Finding and Recommendation.

<sup>2</sup> The district filed its FY 2011-12 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000.

## Attachment 2— Findings and Recommendations July 1, 2008, through June 30, 2012

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### Background

The current findings are the result of our review of the mandated cost claims filed for the legislatively mandated Collective Bargaining Program for the period of July 1, 2008, through June 30, 2012.

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 related 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; this section requires school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding. On August 20, 1998, the CSM determined that this legislation also 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 [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—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 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 issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

**FINDING 1—  
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 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, thus understating the Winton Act base-year costs by \$60,134 for the review period.

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

Winton Act Base Year Costs	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Winton Act base-year costs, FY 1995-96	\$ (3,299)	\$ (3,299)	\$ (3,299)	\$ (3,299)	
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 <sup>1</sup>	(14,611)	(14,773)	(15,119)	(15,631)	(60,134)
Less reported Winton Act base-year costs	-	-	-	-	-
Review Adjustment	<u>\$(14,611)</u>	<u>\$(14,773)</u>	<u>\$(15,119)</u>	<u>\$(15,631)</u>	<u>\$(60,134)</u>

<sup>1</sup> The Winton Act base-year costs exceeded the direct costs by \$7,550 for FY 2010-11 and \$4,333 for FY 2011-12. As direct costs cannot be negative, adjustments were made to eliminate the negative balances.

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 (IPD) 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 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.

**FINDING 2—  
Misstated indirect costs**

The district overstated indirect costs by \$1,905 for the review period. The overstatement occurred because the district:

- did not claim indirect costs on contract services for FY 2008-09 and FY 2009-10, totaling \$24; and
- did not report any Winton Act direct costs on its mandated cost claims for FY 2008-09 through FY 2011-12, resulting in an overstatement of \$1,929.

The unclaimed indirect costs on contract services occurred because the district followed the claiming instructions identified on Form 1 for the Collective Bargaining Program, which inadvertently excluded contract services from the calculation of indirect costs. The Collective Bargaining Program claiming instructions have since been corrected.

We determined allowable indirect costs by multiplying allowable contract services by the indirect cost rates claimed by the district, which agreed to the indirect cost rates approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to total direct costs (salaries and benefits, materials and supplies, and contract services).

The following table summarizes the calculation of unclaimed indirect costs on contract services for the review period:

Description	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Allowable increased direct costs	\$ 14,369	\$ 15,295	\$ 452	\$ 8,883	
Claimed indirect cost rate	4.56%	2.20%	5.08%	4.90%	
Allowable indirect costs	\$ 655	\$ 336	\$ 23	\$ 435	\$ 1,449
Less: claimed indirect costs	1,313	645	407	989	3,354
Review adjustment	\$ (658)	\$ (309)	\$ (384)	\$ (554)	\$ (1,905)

**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 follow the updated guidance in the claiming instructions for calculating indirect costs on contract services.