



**BETTY T. YEE**  
California State Controller

June 29, 2015

Donna Kellogg, Superintendent  
Rim of the World Unified School District  
27315 North Bay Road  
Blue Jay, CA 92317

Dear Ms. Kellogg:

The State Controller's Office performed a desk review of costs claimed by the Rim of the World 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, 2010, through June 30, 2014. 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 \$164,709 for the mandated program. Our review found that \$69,364 is allowable and \$95,345 is unallowable. The costs are unallowable because the district did not report the Winton Act base-year costs and claimed unallowable Superintendent costs, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the district. The State will pay \$69,364, contingent upon available appropriations.

We informed Jenny Haberlin, Director of Business Services, of the finding via email on June 15, 2015. 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 (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission'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 telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/as

Attachments

RE: S15-MCC-9024

cc: Jenny Haberlin, Director  
    Business Services  
    Rim of the World Unified School District  
Cynna Hinkle, Director  
    Business Advisory Services  
    San Bernardino County Superintendent of Schools  
Peter Foggiato, Director  
    School Fiscal Services Division  
    California Department of Education  
Amy Tang-Paterno, Education Fiscal Services Consultant  
    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, 2010, through June 30, 2014

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	\$ 29,759	\$ 29,759	\$ -	
Contract services	12,218	12,218	-	
Subtotal	41,977	41,977	-	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(14,372)	(14,372)	Finding 1
Increased direct costs, G1 through G3	41,977	27,605	(14,372)	
Total increased direct costs, G1 through G7	41,977	27,605	(14,372)	
Indirect costs	1,952	1,284	(668)	Finding 1
Total program costs	<u>\$ 43,929</u>	28,889	<u>\$ (15,040)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 28,889</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 24,506	\$ 16,960	\$ (7,546)	Finding 2
Subtotal	24,506	16,960	(7,546)	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(14,858)	(14,858)	Finding 1
Increased direct costs, G1 through G3	24,506	2,102	(22,404)	
Total increased direct costs, G1 through G7	24,506	2,102	(22,404)	
Indirect costs	1,598	137	(1,461)	Findings 1, 2
Total program costs	<u>\$ 26,104</u>	2,239	<u>\$ (23,865)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,239</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 36,535	\$ 26,303	\$ (10,232)	Finding 2
Subtotal	36,535	26,303	(10,232)	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(15,159)	(15,159)	Finding 1
Increased direct costs, G1 through G3	36,535	11,144	(25,391)	
Total increased direct costs, G1 through G7	36,535	11,144	(25,391)	
Indirect costs	2,072	632	(1,440)	Findings 1, 2
Total program costs	<u>\$ 38,607</u>	11,776	<u>\$ (26,831)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 11,776</u>		

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2013, through June 30, 2014</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 31,574	\$ 18,995	\$ (12,579)	Finding 2
Materials and supplies	5,643	5,643	-	
Contract services	14,705	14,705	-	
Subtotal	51,922	39,343	(12,579)	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(15,577)	(15,577)	Finding 1
Increased direct costs, G1 through G3	51,922	23,766	(28,156)	
Component activities G4 through G7:				
Salaries and benefits	1,261	1,261	-	
Contract services	135	135	-	
Increased direct costs, G4 through G7	1,396	1,396	-	
Total increased direct costs, G1 through G7	53,318	25,162	(28,156)	
Indirect costs	2,751	1,298	(1,453)	Findings 1, 2
Total program costs	<u>\$ 56,069</u>	26,460	<u>\$ (29,609)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 26,460</u>		
<u>Summary: July 1, 2010, through June 30, 2014</u>				
Total increased direct costs, G1 through G7	\$ 156,336	\$ 66,013	\$ (90,323)	
Indirect costs	8,373	3,351	(5,022)	
Total program costs	<u>\$ 164,709</u>	69,364	<u>\$ (95,345)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 69,364</u>		

<sup>1</sup> See Attachment 2, Review Results.

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## Attachment 2— Review Results July 1, 2010, through June 30, 2014

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

The current findings are the result of our review of the mandated cost claims filed for the legislatively mandated Collective Bargaining and Collective Bargaining Agreement Disclosure Program for the period of July 1, 2010, through June 30, 2014.

**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 2010-11 through FY 2013-14. 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 \$59,966 for the review period. Unallowable related indirect costs total \$3,301.

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

	Fiscal Year				Total
	2010-11	2011-12	2012-13	2013-14	
Winton Act base-year costs, FY 1996-97	\$ (3,136)	\$ (3,136)	\$ (3,136)	\$ (3,136)	
Implicit Price Deflator (IPD)	× 4,583	× 4,738	× 4,834	× 4,967	
Winton Act base-year costs adjusted by the IPD	(14,372)	(14,858)	(15,159)	(15,577)	\$ (59,966)
Less reported Winton Act base-year costs	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(14,372)	(14,858)	(15,159)	(15,577)	(59,966)
Related indirect cost adjustment	(668)	(969)	(860)	(804)	(3,301)
Review adjustment	<u>\$ (15,040)</u>	<u>\$ (15,827)</u>	<u>\$ (16,019)</u>	<u>\$ (16,381)</u>	<u>\$ (63,267)</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 1996-97 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

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

**FINDING 2—  
Unallowable  
Superintendent costs  
and related indirect  
costs**

The district claimed unallowable salaries and benefit of its superintendent, totaling \$30,357, for FY 2011-12 through FY 2013-14. In addition, unallowable related indirect costs total \$1,721.

The following table summarizes the unallowable superintendent cost adjustments by fiscal year:

	Fiscal Year			Total
	2011-12	2012-13	2013-14	
Unallowable Superintendent costs claimed	\$ (7,546)	\$ (10,232)	\$ (12,579)	\$ (30,357)
Related indirect costs adjustment	(492)	(580)	(649)	(1,721)
Review adjustment	<u>\$ (8,038)</u>	<u>\$ (10,812)</u>	<u>\$ (13,228)</u>	<u>\$ (32,078)</u>

The parameters and guidelines (Section E., Governing Authority) state:

The costs for salaries and expenses of the governing authority, for example the School Superintendent and Governing Board, are not reimbursable. These are costs of general government as described by the federal guidelines entitled “Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government,” ASMB C-10.

Recommendation

We recommend that the district ensure that all costs claimed are reimbursable per the parameters and guidelines.