TWIN RIVERS UNIFIED SCHOOL DISTRICT

Revised Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2008, through June 30, 2011

JOHN CHIANG
California State Controller

November 2014

JOHN CHIANG
California State Controller

November 3, 2014

Rebecca Sandoval, President
Board of Trustees
Twin Rivers Unified School District
3222 Winona Way
North Highlands, CA 95652

Dear Ms. Sandoval:

The State Controller's Office audited the costs claimed by Twin Rivers 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, 2011.

This revised final report supersedes our previous report dated September 11, 2014. The district had amended its claims for fiscal year (FY) 2009-10 and FY 2010-11, and allowable costs per audit did not exceed the amounts originally claimed. Therefore, there are no late filing penalties, and this revised report reflects elimination of the $10,000 late filing penalties for each of those fiscal years.

The district claimed $1,849,917 for the mandated program. Our audit found that $1,456,981 is allowable and $392,936 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs and claimed costs that were ineligible for reimbursement. The State paid the district $148,877. The State will pay allowable costs claimed that exceed the amount paid, totaling $1,308,104, contingent upon available appropriations.

If you disagree with the audit 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 Web site at 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

cc: Steven Martinez, Ed.D., Superintendent
Twin Rivers Unified School District
Kate Ingersoll, Executive Director of Fiscal Services
Twin Rivers Unified School District
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Twin Rivers 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, 2011.

The district claimed $1,849,917 for the mandated program. Our audit found that $1,456,981 is allowable and $392,936 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs and claimed costs that were ineligible for reimbursement. The State paid the district $148,877. The State will pay allowable costs claimed that exceed the amount paid, totaling $1,308,104, 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 Rodda 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, 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 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 Program for the period of July 1, 2008, through June 30, 2011.

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.

Conclusion

Our audit found 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, Twin Rivers Unified School District claimed $1,849,917 for costs of the Collective Bargaining Program. Our audit found that $1,456,981 is allowable and $392,936 is unallowable.

For the fiscal year (FY) 2008-09 claim, the State paid the district $105,306. Our audit found that $685,827 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling $580,521, contingent upon available appropriations.

For the FY 2009-10 claim, the State paid the district $43,571. Our audit found that $475,065 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling $431,494, contingent upon available appropriations.

For the FY 2010-11 claim, the State made no payment to the district. Our audit found that $296,089 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 22, 2014. Kate Ingersoll, Executive Director of Fiscal Services, responded by letter dated September 3, 2014, disagreeing with the audit results. We issued the final report on September 11, 2014.

Subsequently, we informed the district that we would revise the final report to eliminate the $10,000 late filing penalties initially calculated for both FY 2009-10 and FY 2010-11 because the district had amended its claims for those years and, allowable costs per audit did not exceed the amounts originally claimed. Therefore, there are no late filing penalties. This revised final report includes the district's response to the August 22, 2014 draft audit report.

Restricted Use

This report is solely for the information and use of Twin Rivers Unified School District, the Sacramento 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 3, 2014

Revised Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
July 1, 2008, through June 30, 2009				
Direct Costs				
Component activities G1 through G3:				
Salaries and Benefits	$ 288,309	$ 248,130	$ (40,179)	Finding 1
Materials and Supplies	10,415	8,477	(1,938)	Finding 2
Contract Services	437,261	313,685	(123,576)	Finding 3
Increased direct costs, G1 through G3	735,985	570,292	(165,693)	
Component activities G4 through G7:				
Salaries and Benefits	18,765	19,676	911	Finding 1
Materials and Supplies	2,258	739	(1,519)	Finding 2
Contract Services	58,776	49,057	(9,719)	Finding 3
Increased direct costs, G4 through G7	79,799	69,472	(10,327)	
Total increased direct costs, G1 through G7	815,784	639,764	(176,020)	
Indirect costs	58,736	46,063	(12,673)	Findings 1,2,3
Total program costs	$ 874,520	685,827	$ (188,693)	
Less amount paid by the State		(105,306)		
Allowable costs claimed in excess of (less than) amount paid		$ 580,521		
July 1, 2009, through June 30, 2010				
Direct Costs				
Component activities G1 through G3:				
Salaries and Benefits	$ 196,526	$ 177,532	$ (18,994)	Finding 1
Materials and Supplies	7,644	4,425	(3,219)	Finding 2
Contract Services	221,823	167,435	(54,388)	Finding 3
Increased direct costs, G1 through G3	425,993	349,392	(76,601)	
Component activities G4 through G7:				
Salaries and Benefits	48,917	36,665	(12,252)	Finding 1
Materials and Supplies	402	370	(32)	Finding 2
Contract Services	59,132	48,614	(10,518)	Finding 3
Increased direct costs, G4 through G7	108,451	85,649	(22,802)	
Total increased direct costs, G1 through G7	534,444	435,041	(99,403)	
Indirect costs	49,169	40,024	(9,145)	Findings 1,2,3
Total program costs	583,613	475,065	(108,548)	
Less amount paid by the State		(43,571)		
Allowable costs claimed in excess of (less than) amount paid		$ 431,494		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
July 1, 2010, through June 30, 2011				
Direct Costs				
Component activities G1 through G3:				
Salaries and Benefits	$ 95,466	$ 79,949	$ (15,517)	Finding 1
Contract Services	52,196	46,218	(5,978)	Finding 3
Increased direct costs, G1 through G3	147,662	126,167	(21,495)	
Component activities G4 through G7:				
Salaries and benefits	81,808	37,503	(44,305)	Finding 1
Contract services	133,125	110,360	(22,765)	Finding 3
Increased direct costs, G4 through G7	214,933	147,863	(67,070)	
Total increased direct costs, G1 through G7	362,595	274,030	(88,565)	
Indirect costs	29,189	22,059	(7,130)	Findings 1,3
Total program costs	$ 391,784	296,089	$ (95,695)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		$ 296,089		
Summary: July 1, 2008, through June 30, 2011				
Direct Costs				
Component activities G1 through G3:				
Salaries and Benefits	$ 580,301	$ 505,611	$ (74,690)	
Materials and Supplies	18,059	12,902	(5,157)	
Contract Services	711,280	527,338	(183,942)	
Increased direct costs, G1 through G3	1,309,640	1,045,851	(263,789)	
Component activities G4 through G7:				
Salaries and Benefits	149,490	93,844	(55,646)	
Materials and Supplies	2,660	1,109	(1,551)	
Contract Services	251,033	208,031	(43,002)	
Increased direct costs, G4 through G7	403,183	302,984	(100,199)	
Total increased direct costs, G1 through G7	1,712,823	1,348,835	(363,988)	
Indirect costs	137,094	108,146	(28,948)	
Total program costs	$ 1,849,917	1,456,981	$ (392,936)	
Less amount paid by the State		(148,877)		
Allowable costs claimed in excess of (less than) amount paid		$ 1,308,104		

[1] See the Findings and Recommendations section.

Findings and Recommendations

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

The district claimed $729,791 in salaries and benefits during the audit period. We found that $599,455 is allowable and $130,336 is unallowable. The related unallowable indirect costs are $10,518. The costs are unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the claimed and allowable costs, as well as the audit adjustment amounts for the audit period by reimbursable component:

	Fiscal Year			
	2008-09	2009-10	2010-11	Total
Claimed				
Salaries and benefits:				
Component G1	$ 461	$ 67	$ -	$ 528
Component G3	287,848	196,459	95,466	579,773
Component G4	10,132	19,823	78,633	108,588
Component G5	-	1,874	1,911	3,785
Component G6	7,393	23,934	393	31,720
Component G7	1,240	3,286	871	5,397
Total	307,074	245,443	177,274	729,791
Allowable				
Salaries and benefits:				
Component G1	280	67	-	347
Component G3	247,850	177,465	79,949	505,264
Component G4	10,480	11,777	34,451	56,708
Component G5	326	1,548	1,911	3,785
Component G6	7,308	20,277	288	27,873
Component G7	1,562	3,063	853	5,478
Total	267,806	214,197	117,452	599,455
Audit Adjustment				
Salaries and benefits:				
Component G1	(181)	-	-	(181)
Component G3	(39,998)	(18,994)	(15,517)	(74,509)
Component G4	348	(8,046)	(44,182)	(51,880)
Component G5	326	(326)	-	-
Component G6	(85)	(3,657)	(105)	(3,847)
Component G7	322	(223)	(18)	81
Total	(39,268)	(31,246)	(59,822)	(130,336)
Indirect cost rate	7.20%	9.20%	8.05%	
Related indirect costs	(2,827)	(2,875)	(4,816)	(10,518)
Audit adjustment	$ (42,095)	$ (34,121)	$ (64,638)	$ (140,854)

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

> To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. 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.

Component G1 – Determining Bargaining Units and Exclusive Representation

The district claimed $528 for the Determining Bargaining Units and Exclusive Representation cost component for salaries and benefits during the audit period. We found that $347 is allowable and $181 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible costs

The district claimed fiscal year (FY) 2007-08 costs incurred in March 2008 in its FY 2008-09 claim, totaling $163.

Unsupported costs

The district overstated costs by $18 because it overstated productive hourly rates on allowable costs.

Component G3 – Cost of Negotiations

The district claimed $579,773 for the Cost of Negotiations cost component for salaries and benefits during the audit period. We found that $505,264 is allowable and $74,509 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible costs

The district claimed FY 2007-08 costs incurred in March and June 2008 in its FY 2008-09 claim, totaling $12,693.

Unsupported costs

Throughout the audit period, the district did not provide documentation that supported costs claimed or showed evidence that claimed employees participated in this reimbursable activity. The unsupported costs totaled $61,455 ($27,173 for FY 2008-09, $18,765 for FY 2009-10, and $15,517 for FY 2010-11).

For FY 2008-09, the district claimed $14,998 for substitute costs. However, the district only provided support for $14,866. The unsupported substitute costs totaled $132.

For FY 2009-10, the district claimed $187,681 for negotiation costs. However, the district only provided documentation for $187,452 of the costs claimed. The unsupported negotiation costs total $229.

Component G4 – Impasse Proceedings

The district claimed $108,588 for the Impasse Proceedings cost component for salaries and benefits during the audit period. We found that $56,708 is allowable and $51,880 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible costs

The district claimed costs totaling $49,822 for mediation planning sessions ($6,562 for FY 2009-10 and $43,260 for FY 2010-11). The parameters and guidelines do not identify mediation planning session as a reimbursable activity.

Unsupported costs

The district did not provide documentation that supported costs claimed or showed evidence that claimed employees participated in this reimbursable activity. In addition, the district provided documentation supporting allowable costs that were not claimed. The net unsupported costs total $2,058 (understatement of $348 for FY 2008-09, and overstatements of $1,484 for FY 2009-10, and $922 for FY 2010-11).

Component G5 – Collective Bargaining Agreement Disclosure

The district claimed $3,785 for the Collective Bargaining Agreement Disclosure cost component for salaries and benefits during the audit period. We found that total costs claimed during the audit period are allowable. However, for FY 2009-10, $326 of the costs claimed related to costs incurred in FY 2008-09; we moved the allowable costs to FY 2008-09.

Component G6 – Contract Administration

The district claimed $31,720 for the Contract Administration cost component for salaries and benefits during the audit period. We found that $27,873 is allowable and $3,847 is unallowable. The costs are unallowable because the district did not provide documentation supporting costs claimed. For FY 2009-10, the district claimed $21 that related to costs incurred in FY 2008-09; we moved the allowable costs to FY 2008-09.

Component G7 – Unfair Labor Practice Charges

The district claimed $5,397 for the Unfair Labor Practice Charges cost component for salaries and benefits during the audit period. We found that $5,478 is allowable. A positive adjustment of $81 was made because the district did not claim allowable costs.

Misstated Productive Hourly Rates

The district misstated productive hourly rates during the audit period, resulting in overstated costs totaling $12,569. The district did not provide documentation supporting the rates used in the filed claims. We recalculated the rates based on information the district provided. The misstated amounts are included in the adjustments described previously.

Costs Claimed in the Wrong Fiscal Year

The adjustments above include FY 2007-08 costs claimed in FY 2008-09, totaling $12,856, that are unallowable. We did not audit FY 2007-08. Further, the statutory period to file an amended claim for FY 2007-08 for increased costs has expired under Government Code section 17568.

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 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.

District's General Response

The district disputes the SCO's adjustment totaling $62,678 as follows:

- FY 2007-08 costs claimed in FY 2008-09 totaling $12,856 ($163 for Component G1 and $12,693 for Component G3), and
- FY 2009-10 and FY 2011-12 costs claimed for preparation time associated with impasse proceedings totaling $49,822 for Component G4.

The district concurs with the remaining adjustments.

District's Response

Costs Claimed in the Wrong Fiscal Year

The SCO found that the district incorrectly submitted reimbursement claims for costs that occurred in the 2007/2008 fiscal year but were claimed incorrectly in the 2008/2009 claims.

Twin Rivers USD admits that it claimed 2007/2008 costs in the 2008/2009 reimbursement claim but argues that this was largely due to the fact that most of the costs were paid for in the fiscal year 2008/2009 and therefore are proper. The district did this for three reasons:

1) The Twin Rivers Unified School District did not exist until July 1, 2008.

The Twin Rivers Unified School District was formed when the voters from the communities of the Del Paso Heights School District, Grant Joint Union High School District, North Sacramento School District and the Rio Linda Union School District voted to merge the districts into one unified school district that became the Twin Rivers Unified School District on July 1, 2008.

Twin Rivers USD made the decision to submit reimbursement claims for costs incurred in the 2007/2008 fiscal year in the 2008/2009 collective bargaining claim because it was technically not a school district in the 2007/2008 fiscal year.

2) There was uncertainty with the State Controller's Office and the District as to the proper method of submitting the 2007/2008 and prior year and ongoing reimbursement claims and the newly formed Twin Rivers Unified School District.

The unification of the four districts into Twin Rivers Unified School District was one of the larger unifications in recent times. The unification came a great deal of uncertainty from the district and the State perspective. An example of this uncertainty and how the district tried to approach its mandate reimbursement filings and it's interaction with the State Controller's Office.

On July 8, 2008 the Twin River's Mandated Cost Analyst contacted Ginny Brummels, Section Manager with the State Controller's Office regarding the proper method of submitting reimbursement claims for the new district vs. the prior districts of origin. At the time the SCO did not really know how to address the unification issue. Given the different indirect cost rates, attendance rates and additional demographic information that is used to submit reimbursement claims; the district suggested that keeping the districts of origin claims separate and not merged together made the most sense.

This way the costs incurred from any fiscal year prior to 2007/2008 would be claimed by the four districts of origin while costs incurred 2008/2009 and ongoing would be claim by Twin Rivers Unified School District.

The SCO agreed to this approach.

In the 2010/2011 fiscal year the SCO reversed what was agreed to and merged the outstanding balances of Twin Rivers USD and the four districts of origin together.

Later in the year the SCO asked the district to submit all claims that occurred prior to 2008/2009 as combined reimbursement claims under Twin Rivers Unified School District and not the districts of origin from that point on.

Early on in the unification Twin Rivers USD attempted to address some of the questions arriving from the unification with the SCO. Later the district found that costs were incurred by Twin Rivers USD in the 2007/2008 fiscal year. Trying to be consistent and follow the agreed to format the district followed what it thought was a logical process of claiming reimbursement costs from 2007/2008 fiscal year in the 2008/2009 reimbursement claim.

3) The district claimed reimbursement for costs that had "occurred" in the 2007/2008 fiscal year but the costs were "paid for" in the 2008/2009 fiscal year.

The majority of the SCO's findings for the costs claimed in the wrong fiscal year stem from contracted services. Specifically of the total $160,886 attributed to the "costs claimed in the wrong fiscal year"; contracted services account for $145,701 of this total.

All of the disallowed contracted services were attributed to a series of invoices received from the district's attorney dated between June 27, 2008 through July 18, 2008; payment for all invoices submitted for reimbursement were issued within the 2008/2009 fiscal year.

In mandated cost claiming; it is common practice for claimants to claim costs incurred in the prior fiscal in the subsequent fiscal year since the costs were issued in the subsequent fiscal year.

An example of this is an attorney who submits an invoice for services rendered in June but invoices the district in July for the June services. Districts commonly claim the costs when the payment occurred rather than when the costs were incurred.

On December 16, 2009 in an Exit Conference for the Rio Linda Union School District (one of the former school districts that merged into the Twin Rivers USD) for the Collective Bargaining Program Twin Rivers Unified School District's Mandated Cost Analyst asked the SCO's Audit Manager, Jim Venneman about claiming costs incurred in the prior fiscal in the subsequent fiscal year.

He did not have a response to the question.

Finally Twin Rivers USD did not seek to gain an advantage by manipulating the claiming process by claiming district personnel from the perspective districts of origin by claiming their costs within the four previous districts' claims.

During the 2007/2008 fiscal year the future Twin Rivers Unified School District negotiated with nine bargaining units. The classified units and the certificated units had representatives from the four districts of origin that merged into the Twin Rivers Unified School District. It was not uncommon at the time for there to be in excess of 20 district personnel and over 30 bargaining unit personnel at a number of the 2007/2008 Twin Rivers USD negotiation sessions.

The district mentions this because there is a limitation in the Collective Bargaining claiming process that a claimant is limited to claiming reimbursement of a maximum of five district personnel participating in a given negotiation session. Likewise a claimant cannot claim reimbursement for more than five substitutes providing release time for bargaining unit members who are participating in the negotiations session as well.

The district could have claimed significant costs by inserting Twin Rivers USD costs into the claims from the prior districts of origin and bypassing the five at the table rule. However the district decided to make a determination it felt was fair by claiming costs under the umbrella of the Twin Rivers Unified School District 2008/2009 claim and abided by the limitations within the claiming process.

> It is the district's contention that the costs incurred in the 2007/2008 should be allowed due to the complications of the unification, a misunderstanding between the district and the SCO, prior mandated cost claim accepted procedures and perhaps most importantly what is fair.

SCO's Comments

Costs Claimed in the Wrong Fiscal Year

The adjustments remain unchanged.

The district indicated that it claimed FY 2007-08 costs in FY 2008-09 because it technically was not a school district until July 1, 2008. We agree that Del Paso Heights, Grant Joint Union, North Sacramento, and Rio Linda school districts unified as Twin Rivers, effective July 1, 2008.

Government Code section 17560, subdivision (a), states that a district may "file an annual reimbursement claim that details the costs actually incurred for that fiscal year." The district claimed costs for activities it recorded in a governmental fund. The district maintains its governmental funds on the modified accrual basis of accounting whereby salaries, benefits, and contract services (Finding 3) are recognized when incurred rather than received. Similarly, materials and supplies (Finding 2) are recognized when received rather than when paid. During the unification process, the four unified school districts reported their governmental funds on the modified accrual basis for the annual report ending June 30, 2008.

The costs disputed by the district were incurred from March 2008 through June 2008. Most of the salaries and benefits were paid in FY 2007-08. However, some of the June 2008 payroll was paid in July 2008. In both situation, the costs were incurred in FY 2007-08 and should have been claimed in that fiscal year.

The district indicated there was uncertainty with the SCO and the district as to proper method in submitting the FY 2007-08, prior year, and ongoing reimbursement claims. The district did not provide any documentation supporting the uncertainty, and we were unable to locate documentation supporting the district's contention.

The district indicated it is common practice for claimants to claim prior costs in the current fiscal year. We are not aware of such practice, as the statutory provision clearly states that costs should be claimed when incurred. The district did not provide any documentation supporting a conversation the district had with an SCO audit manager, and we were unable to locate documentation supporting the district's contention.

The district indicated that there were instances where it could have claimed costs for at-table negotiations in excess of the allowable amounts specified in the parameters and guidelines. While the district can claim costs for activities it deems are relevant to the mandate, our purpose is to determine whether the costs claimed are adequately supported by source documentation and are allowable under the parameters and guidelines.

Further, the statutory period has expired for the district to file an amended claim for FY 2007-08.

District's Response

Impasse Proceedings Preparation Time

The District disputes this finding on the grounds that preparation time for impasse proceedings/fact finding is reimbursable per the Parameters and Guidelines (P's & G's).

The P's & G's for Mediation Proceedings and Fact Finding states:

4. Impasse Proceedings
   a. Mediation
      1) Costs for salaries and benefits for employer representative personnel are reimbursable. Contracted services will be reimbursed. Costs for a maximum of five public school employer representatives per mediation session will be reimbursed. Salaries and benefits must be shown as described in Item H3.
      (2) Indicate the costs of substitutes for the release time of exclusive bargaining unit representatives during impasse proceedings. The job classification of the employee witnesses and the date they were absent shall be indicated. Costs for a maximum of five representatives per mediation session will be reimbursed.
      (3) Renting of facilities will be reimbursed.
      (4) Costs of the mediator will not be reimbursed.
      (5) If contract services are used under 1, contract invoices must be submitted with the claim. Contract costs must be shown as described in Item H5.
   b. Fact-finding publication of the findings of the fact-finding panel. (To the extent fact-finding was required under the Winton Act during the 1974-75 fiscal year, costs are not reimbursable.)
      (1) All costs of the school employer panel representative shall be reimbursed. Salaries and benefits must be shown as described in Item H3.
      (2) Fifty percent of the costs mutually incurred by the fact-finding panel shall be reimbursed. This may include substitutes for release time of witnesses during fact-finding proceedings, and the rental of facilities required by the panel.
      (3) Special costs imposed on the public school employer for the development of unique data required by a fact-finding panel will be reimbursed. Describe the special costs and explain why this data would not have been required by a fact-finding panel under the Winton Act. Salaries and benefits must be shown as described in Item H3.

The SCO interprets the P's & G's costs of mediation very narrowly by disallowing costs associated with the preparation time in impasse proceedings.

Twin Rivers USD disagrees with this interpretation for three reasons:

1) The controlling statement for the reimbursable activities for Mediation is "Costs for salaries and benefits for employer representative personnel are reimbursable".

The P's & G's do not say that preparation time is not reimbursable; it is silent on the subject.

The only limitation of this component is that the district may only claim "five public school employer representatives per mediation session will be reimbursed."

2) The costs of mediation proceedings are similar to negotiations and in fact are derived from the negotiation process.

Since the mediation and fact-finding process flows out of the negotiation process Twin Rivers USD contends that logically the costs that are reimbursable for the negotiation process are identical for the mediation and fact-finding process.

The declaration of an impasse is in its basic form the bargaining unit and the district agreeing to disagree about a particular issue and brings about a state appointed mediator to oversee the process. Negotiation and its costs can still take place during this time even though an impasse has been declared and these costs are claimed under impasse proceedings.

3) Twin Rivers USD asserts that "preparation for impasse proceedings" is listed in the P's & G's by being construed as a "special costs imposed on the public school employer for the development of unique data required by a fact-finding panel."

The P's and G's allow for a claimant to claim "Special costs imposed on the public school employer for the development of unique data required by a fact-finding panel." School Districts do not differentiate between impasse and fact finding. They prepare all documents with the knowledge that documents may be used in a fact finding panel.

Twin Rivers USD contends that all costs associated during impasse should be construed as being "special costs", preparation time included.

The mediation is an integral process of the Collective Bargaining process. The costs of mediation and fact finding flow from the negotiation process and are special within the collective bargaining process and therefore should be fully reimbursable.

In summary the Twin Rivers Unified School District disputes the following findings and amounts in the audit of its 2008/2009 through 2010/2011 fiscal year Collective Bargaining mandate reimbursement claims.

SCO's Comments

Impasse Proceedings Preparation Time

The adjustments remain unchanged.

The district believes that since the mediation and fact-finding process flows out of the negotiation process, it is logical that the costs reimbursable for the negotiation process are identical for the mediation and fact-finding processes. The district also states that the parameters and guidelines do not say that preparation time is not reimbursable, but rather is silent on the subject.

We disagree with the district's arguments. There is no mention of preparation costs as a reimbursable activity for the Negotiations cost component (G3). Further, preparation costs are identified as allowable costs in the parameters and guidelines under the Determining Bargaining Units and Exclusive Representation cost component (G1(c)(2)) and G1(c)(6)), not the Impasse Proceedings cost component (G4).

G1(c)(2) states that actual preparation time will be reimbursed and section G1(c)(6) states that cost of preparation for one transcript will be reimbursed. While the parameters and guidelines are silent regarding impasse proceedings preparation costs, we do believe that this supports the allowability of such costs. The fact that the Commission on State Mandates (Commission) uses the term in other places in the parameters and guidelines supports a contrary conclusion.

Further, the district did not support that impasse proceedings preparation time relates to "Special costs imposed on the public school employer for the development of unique data required by a fact-finding panel."

FINDING 2—Overstated materials and supplies and related indirect costs

The district claimed $20,719 in materials and supplies during the audit period. We found that $14,011 is allowable and $6,708 is unallowable. Related indirect costs totaled $548. The costs are unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the claimed and allowable costs, as well as the audit adjustment amounts for the audit period by reimbursable component:

	Fiscal Year		
	2008-09	2009-10	Total
Claimed			
Salaries and benefits:			
Component G3	10,415	7,644	18,059
Component G4	714	336	1,050
Component G6	32	-	32
Component G7	1,512	66	1,578
Total	12,673	8,046	20,719
Allowable			
Salaries and benefits:			
Component G3	8,477	4,425	12,902
Component G4	655	336	991
Component G6	32	-	32
Component G7	52	34	86
Total	9,216	4,795	14,011
Audit Adjustment			
Salaries and benefits:			
Component G3	(1,938)	(3,219)	(5,157)
Component G4	(59)	-	(59)
Component G6	-	-	-
Component G7	(1,460)	(32)	(1,492)
Total	(3,457)	(3,251)	(6,708)
Indirect cost rate	7.20%	9.20%	
Related indirect costs	(249)	(299)	(548)
Audit adjustment	$ (3,706)	$ (3,550)	$ (7,256)

Component G3 – Cost of Negotiations

The district claimed $18,059 for the Cost of Negotiations cost component for materials and supplies during the audit period. We found that $12,902 is allowable and $5,157 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs. For FY 2009-10, the district claimed FY 2008-09 costs incurred in June 2009, totaling $383; we allowed the costs for FY 2008-09.

Ineligible costs

For FY 2008-09, the district claimed FY 2007-08 costs incurred between the months of November 2007 and June 2008, totaling $2,321.

Unsupported costs

For FY 2009-10, the district claimed unsupported costs totaling $2,836, using a monthly certification as source documentation. The certification identified costs on specified dates with a reference to reimbursable activities, e.g., (1) Negotiations (prep/set-up/e-mails) for $84 on July 27, 2009; (2) CSEA Negotiation for $108 on September 21, 2009; and (3) CSEA Preparation and Recording of $151 on February 25, 2010. The district did not provide any documentation supporting the specific costs claimed. The parameters and guidelines state that declarations are forms of evidence corroborating source documents and cannot be substituted for source documents.

Component G4 – Impasse Proceedings

The district claimed $1,050 for the Impasse Proceedings cost component for materials and supplies during the audit period. We found that $991 is allowable and $59 is unallowable. The costs are unsupported because the district did not provide documentation supporting costs claimed.

Component G7 – Unfair Labor Practice Charges

The district claimed $1,578 for the Unfair Labor Practice Charges cost component for materials and supplies during the audit period. We found that $86 is allowable and $1,492 is unallowable. The costs are unallowable because the costs were already claimed under the Impasse Proceedings cost component. For FY 2009-10, the district also claimed FY 2008-09 costs incurred in June 2009 totaling $32; we allowed the costs for FY 2008-09.

Costs Claimed in the Wrong Fiscal Year

The adjustments above include FY 2007-08 costs claimed in FY 2008-09, totaling $2,321, that are unallowable. We did not audit FY 2007-08. Further, the statutory period to file an amended claim for FY 2007-08 for increased costs has expired under Government Code section 17568.

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 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.

District's General Response

The district disputes the SCO's adjustment totaling $2,321 for FY 2007-08 costs claimed in FY 2008-09 for Component G3.

SCO's Comments

Refer to Finding 1 for the SCO's comments related to this issue. The costs claimed in the wrong fiscal year relate to costs incurred from November 2007 through June 2008. Most of the costs were paid in FY 2007-08.

FINDING 3—Overstated contract services and related indirect costs

The district claimed $962,313 in contract services during the audit period. We found that $735,369 is allowable and $226,944 is unallowable. Related indirect costs totaled $17,882. The costs are unallowable because the district claimed unsupported and ineligible costs.

The following table summarizes the claimed and allowable costs, as well as the audit adjustment amounts for the audit period by reimbursable component:

	Fiscal Year			
	2008-09	2009-10	2010-11	Total
Claimed				
Salaries and benefits:				
Component G1	15,613	3,024	-	18,637
Component G3	421,648	218,799	52,196	692,643
Component G4	34,354	24,123	72,677	131,154
Component G6	4,387	9,545	5,362	19,294
Component G7	20,035	25,464	55,086	100,585
Total	496,037	280,955	185,321	962,313
Allowable				
Salaries and benefits:				
Component G1	10,423	1,944	-	12,367
Component G3	303,262	165,491	46,218	514,971
Component G4	22,138	22,968	56,552	101,658
Component G6	3,455	6,453	4,218	14,126
Component G7	23,464	19,193	49,590	92,247
Total	362,742	216,049	156,578	735,369
Audit Adjustment				
Salaries and benefits:				
Component G1	(5,190)	(1,080)	-	(6,270)
Component G3	(118,386)	(53,308)	(5,978)	(177,672)
Component G4	(12,216)	(1,155)	(16,125)	(29,496)
Component G6	(932)	(3,092)	(1,144)	(5,168)
Component G7	3,429	(6,271)	(5,496)	(8,338)
Total	(133,295)	(64,906)	(28,743)	(226,944)
Indirect cost rate	7.20%	9.20%	8.05%	
Related indirect costs	(9,597)	(5,971)	(2,314)	(17,882)
Audit adjustment	$ (142,892)	$ (70,877)	$ (31,057)	$ (244,826)

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."

Component G1 – Determining Bargaining Units and Exclusive Representation

The district claimed $18,637 for the Determining Bargaining Units and Exclusive Representation cost component for contract services during the audit period. We found that $12,367 is allowable and $6,270 is unallowable. The costs are unallowable because the district claimed FY 2007-08 costs incurred for the months of March through June 2008 in FY 2008-09.

For FY 2009-10, the district also claimed FY 2008-09 costs incurred in June 2009 totaling $1,080; we allowed the costs for FY 2008-09.

Component G3 – Cost of Negotiations

The district claimed $692,643 for the Cost of Negotiations cost component for contract services during the audit period. We found that $514,971 is allowable and $177,672 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs. For FY 2009-10, the district also claimed FY 2008-09 costs incurred in June 2009 totaling $31,212; we allowed the costs for FY 2008-09.

Ineligible costs

The district claimed FY 2007-08 costs incurred for the months of November 2007 through June 2008 in FY 2008-09, totaling $138,575.

Unsupported costs

Throughout the audit period, the district provided documentation that did not show evidence that claimed costs for contracted services related to this reimbursable activity. The unsupported costs total $39,097 ($11,023 for FY 2008-09, $22,096 for FY 2009-10, and $5,978 for FY 2010-11).

Component G4 – Impasse Proceedings

The district claimed $131,154 for the Impasse Proceedings cost component for contract services during the audit period. We found that $101,658 is allowable and $29,496 is unallowable. The costs are unallowable because the district did not provide documentation supporting costs claimed.

Component G6 – Contract Administration

The district claimed $19,294 for the Contract Administration cost component for contract services during the audit period. We found that $14,126 is allowable and $5,168 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs. For 2009-10, the district also claimed FY 2008-09 costs incurred in June 2009 totaling $27; we allowed the costs for FY 2008-09.

Ineligible costs

The district claimed FY 2007-08 costs incurred for the months of February and June 2008 in FY 2008-09, totaling $864.

Unsupported costs

The district claimed unsupported costs throughout the audit period, totaling $4,304 ($95 for FY 2008-09, $3,066 for FY 2009-10, and $1,143 in FY 2010-11), because the district provided documentation that did not show the relationship of the costs claimed to this reimbursable activity.

Component G7 – Unfair Labor Practice Charges

The district claimed $100,585 for the Unfair Labor Practice Charges cost component for contract services during the audit period. We found that $92,247 is allowable and $8,338 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

Ineligible costs

For 2009-10, the district also claimed FY 2008-09 costs incurred in June 2009 totaling $5,522; we allowed the costs for FY 2008-09.

Unsupported costs

The district claimed unsupported costs throughout the audit period, totaling $8,338 ($2,093 for FY 2008-09, $749 for FY 2009-10, and $5,496 for FY 2010-11), because the district provided documentation that did not show the relationship of the costs claimed to this reimbursable activity.

Costs Claimed in the Wrong Fiscal Year

The previous adjustments include FY 2007-08 costs claimed in FY 2008-09, totaling $145,709, that are unallowable. We did not audit FY 2007-08. Further, the statutory period to file an amended claim for FY 2007-08 for increased costs has expired under Government Code section 17568.

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 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.

District's Response

The district disputed the SCO's adjustment totaling $147,741 as follows:

- FY 2007-08 costs claimed in FY 2008-09 totaling $145,701
- FY 2008-09 through FY 2011-12 costs claimed for preparation time associated with impasse proceedings totaling $2,032 for Component G4

The district did not dispute the remaining adjustments.

SCO's Comments

Refer to Finding 1 for the SCO's comments related to this issue. The costs claimed in the wrong fiscal year relate to costs incurred from November 2007 through June 2008. The adjustment is actually $145,709 ($6,270 for Component G1, $138,575 for Component G3, and $864 for Component G6), rather than $145,701, as stated by the district.

Attachment—
District's Response to
Draft Audit Report

September 3, 2014

Mr. Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

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Re: Twin Rivers Unified School District
Chapter 961, Statutes of 1975
Collective Bargaining
Fiscal Years 2008/2009, 2009/2010 and 2010/2011

Dear Mr. Spano:

This letter is in response of the Twin Rivers Unified School District to the letter dated on August 22, 2014, from Jeffery Brownfield and received by the District via E-mail on August 25, 2014 which transmits a draft copy of the audit report of the District's Collective Bargaining annual reimbursement claims for the period of July 1, 2008 through June 30, 2011.

Finding #1 - Overstated Salaries, Benefits, and Related Indirect Costs

For Component G1 throughout the audit period the District claimed $528; the SCO is seeking to disallow $181.

Twin Rivers USD disputes the $163 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #1 and will address this finding as a whole in its summation.

For Component G3 throughout the audit period the District claimed $579,773; the SCO is seeking to disallow $74,509.

The district disputes the $12,693 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #1 and will address this finding as a whole in its summation.

For Component G4 throughout the audit period the District claimed $108,588; the SCO is seeking to disallow $51,880.

Twin Rivers USD disputes the $49,822 of the disallowance due to the preparation of impasse issue aspect of finding #1 and will address this finding as a whole in its summation.

For Component G5 the SCO determined that costs claimed in 2009/2010 fiscal year occurred in the 2008/2009 and moved the costs to the 2008/2009 claim.

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Twin Rivers USD thanks the SCO for moving the costs into the 2008/2009 fiscal year.

For Component G7 throughout the audit period the District claimed $5,397; the SCO determined that $5,478 is allowable and made a positive adjustment of $81.

Twin Rivers USD thanks the SCO for the positive adjustment of $81.

Finding #2 – Overstated Materials and Supplies and Related Indirect Costs.

For Component G3 throughout the audit period the District claimed $18,059; the SCO is seeking to disallow $5,157.

Twin Rivers USD disputes the $2,321 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #2 and will address this finding as a whole in its summation.

For Component G4 throughout the audit period the District Claimed $1,050; the SCO is seeking to disallow $59.

The district is not disputing this finding at this time.

For Component G7 throughout the audit period the District Claimed $1,578; the SCO is seeking to disallow $1,492.

Twin Rivers USD agrees with this finding.

Finding #3 – Overstated Contract Services and Related Indirect Costs.

For Component G1 throughout the audit period the District Claimed $18,637; the SCO is seeking to disallow $6,270.

The district disputes the $6,270 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #3 and will address this finding as a whole in its summation.

For Component G3 throughout the audit period the District Claimed $692,643; the SCO is seeking to disallow $177,672.

The district disputes the $138,575 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #3 and will address this finding as a whole in its summation.

For Component G4 throughout the audit period the District Claimed $131,154; the SCO is seeking to disallow $29,496.

The district disputes the $2,032 of the disallowance due to the preparation time aspect of finding #3 and will address this finding as a whole in its summation.

For Component G6 throughout the audit period the District Claimed $19,294; the SCO is seeking to disallow $5,168.

The district disputes the $864 of the disallowance due to the costs claimed in the wrong fiscal year aspect of finding #3 and will address this finding as a whole in its summation.

For Component G7 throughout the audit period the District Claimed $100,585; the SCO is seeking to disallow $8,338.

The district is not disputing this finding at this time.

Costs Claimed in the Wrong Fiscal Year

The SCO found that the district incorrectly submitted reimbursement claims for costs that occurred in the 2007/2008 fiscal year but were claimed incorrectly in the 2008/2009 claims.

Twin Rivers USD admits that it claimed 2007/2008 costs in the 2008/2009 reimbursement claim but argues that this was largely due to the fact that most of the costs were paid for in the fiscal year 2008/2009 and therefore are proper.

The district did this for three reasons:

1) The Twin Rivers Unified School District did not exist until July 1, 2008.

The Twin Rivers Unified School District was formed when the voters from the communities of the Del Paso Heights School District, Grant Joint Union High School District, North Sacramento School District and the Rio Linda Union School District voted to merge the districts into one unified school district that became the Twin Rivers Unified School District on July 1, 2008.

Twin Rivers USD made the decision to submit reimbursement claims for costs incurred in the 2007/2008 fiscal year in the 2008/2009 collective bargaining claim because it was technically not a school district in the 2007/2008 fiscal year.

2) There was uncertainty with the State Controllers Office and the District as to the proper method of submitting the 2007/2008 and prior year and ongoing reimbursement claims and the newly formed Twin Rivers Unified School District.

The unification of the four districts into Twin Rivers Unified School District was one of the larger unifications in recent times. The unification came a great deal of uncertainty from the district and the State perspective. An example of this uncertainty and how the district tried to approach its mandate reimbursement filings and it's interaction with the State Controller's Office.

On July 8, 2008 the Twin River's Mandated Cost Analyst contacted Ginny Brummels, Section Manager with the State Controller's Office regarding the proper method of submitting reimbursement claims for the new district vs. the prior districts of origin. At the time the SCO did not really know how to address the unification issue. Given the different indirect cost rates, attendance rates and additional demographic information that is used to submit reimbursement claims; the district suggested that keeping the districts of origin claims separate and not merged together made the most sense.

This way the costs incurred from any fiscal year prior to 2007/2008 would be claimed by the four districts of origin while costs incurred 2008/2009 and ongoing would be claim by Twin Rivers Unified School District.

The SCO agreed to this approach.

In the 2010/2011 fiscal year the SCO reversed what was agreed to and merged the outstanding balances of Twin Rivers USD and the four districts of origin together.

Later in the year the SCO asked the district to submit all claims that occurred prior to 2008/2009 as combined reimbursement claims under Twin Rivers Unified School District and not the districts of origin from that point on.

Early on in the unification Twin Rivers USD attempted to address some of the questions arriving from the unification with the SCO. Later the district found that costs were incurred by Twin Rivers USD in the 2007/2008 fiscal year. Trying to be consistent and follow the agreed to format the district followed what it thought was a logical process of claiming reimbursement costs from 2007/2008 fiscal year in the 2008/2009 reimbursement claim.

3) The district claimed reimbursement for costs that had "occurred" in the 2007/2008 fiscal year but the costs were "paid for" in the 2008/2009 fiscal year.

The majority of the SCO's findings for the costs claimed in the wrong fiscal year stem from contracted services. Specifically of the total $160,886 attributed to the "costs claimed in the wrong fiscal year"; contracted services account for $145,701 of this total.

All of the disallowed contracted services were attributed to a series of invoices received from the district's attorney dated between June 27, 2008 through July 18, 2008; payment for all invoices submitted for reimbursement were issued within the 2008/2009 fiscal year.

In mandated cost claiming; it is common practice for claimants to claim costs incurred in the prior fiscal in the subsequent fiscal year since the costs were issued in the subsequent fiscal year.

An example of this is an attorney who submits an invoice for services rendered in June but invoices the district in July for the June services. Districts commonly claim the costs when the payment occurred rather than when the costs were incurred.

On December 16, 2009 in an Exit Conference for the Rio Linda Union School District (one of the former school districts that merged into the Twin Rivers USD) for the Collective Bargaining Program Twin Rivers Unified School District's Mandated Cost Analyst asked the SCO's Audit Manager, Jim Venneman about claiming costs incurred in the prior fiscal in the subsequent fiscal year.

He did not have a response to the question.

Finally Twin Rivers USD did not seek to gain an advantage by manipulating the claiming process by claiming district personnel from the perspective districts of origin by claiming their costs within the four previous districts' claims.

During the 2007/2008 fiscal year the future Twin Rivers Unified School District negotiated with nine bargaining units. The classified units and the certificated units had representatives from the four districts of origin that merged into the Twin Rivers Unified School District. It was not uncommon at the time for there to be in excess of 20 district personnel and over 30 bargaining unit personnel at a number of the 2007/2008 Twin Rivers USD negotiation sessions.

The district mentions this because there is a limitation in the Collective Bargaining claiming process that a claimant is limited to claiming reimbursement of a maximum of five district personnel participating in a given negotiation session. Likewise a claimant cannot claim reimbursement for more than five substitutes providing release time for bargaining unit members who are participating in the negotiations session as well.

The district could have claimed significant costs by inserting Twin Rivers USD costs into the claims from the prior districts of origin and bypassing the five at the table rule. However the district decided to make a determination it felt was fair by claiming costs under the umbrella of the Twin Rivers Unified School District 2008/2009 claim and abided by the limitations within the claiming process.

It is the district's contention that the costs incurred in the 2007/2008 should be allowed due to the complications of the unification, a misunderstanding between the district and the SCO, prior mandated cost claim accepted procedures and perhaps most importantly what is fair.

Impasse Proceedings Preparation Time

The District disputes this finding on the grounds that preparation time for impasse proceedings/fact finding is reimbursable per the Parameters and Guidelines (P's & G's).

The P's & G's for Mediation Proceedings and Fact Finding states:

4. Impasse Proceedings
   a. Mediation
      (1) Costs for salaries and benefits for employer representative personnel are reimbursable. Contracted services will be reimbursed. Costs for a maximum of five public school employer representatives per mediation session will be reimbursed. Salaries and benefits must be shown as described in Item H3.
      (2) Indicate the costs of substitutes for the release time of exclusive bargaining unit representatives during impasse proceedings. The job classification of the employee witnesses and the date they were absent shall be indicated. Costs for a maximum of five representatives per mediation session will be reimbursed.
      (3) Renting of facilities will be reimbursed.
      (4) Costs of the mediator will not be reimbursed.
      (5) If contract services are used under 1, contract invoices must be submitted with the claim. Contract costs must be shown as described in Item H5.

   b. Fact-finding publication of the findings of the fact-finding panel. (To the extent fact-finding was required under the Winton Act during the 1974-75 fiscal year, costs are not reimbursable.)

      (1) All costs of the school employer panel representative shall be reimbursed. Salaries and benefits must be shown as described in Item H3.
      (2) Fifty percent of the costs mutually incurred by the fact-finding panel shall be reimbursed. This may include substitutes for release time of witnesses during fact-finding proceedings, and the rental of facilities required by the panel.
      (3) Special costs imposed on the public school employer for the development of unique data required by a fact-finding panel will be reimbursed. Describe the special costs and explain why this data would not have been required by a fact-finding panel under the Winton Act. Salaries and benefits must be shown as described in Item H3.

The SCO interprets the P's & G's costs of mediation very narrowly by disallowing costs associated with the preparation time in impasse proceedings.

Twin Rivers USD disagrees with this interpretation for three reasons:

1) The controlling statement for the reimbursable activities for Mediation is "Costs for salaries and benefits for employer representative personnel are reimbursable".

The P's & G's do not say that preparation time is not reimbursable; it is silent on the subject.

The only limitation of this component is that the district may only claim "five public school employer representatives per mediation session will be reimbursed".

2) The costs of mediation proceedings are similar to negotiations and in fact are derived from the negotiation process.

Since the mediation and fact finding process flows out of the negotiation process Twin Rivers USD contends that logically the costs that are reimbursable for the negotiation process are identical for the mediation and fact finding process.

The declaration of an impasse is in its basic form the bargaining unit and the district agreeing to disagree about a particular issue and brings about a state appointed mediator to oversee the process. Negotiation and its costs can still take place during this time even though an impasse has been declared and these costs are claimed under impasse proceedings.

3) Twin Rivers USD asserts that "preparation for impasse proceedings" is listed in the P's & G's by being construed as a "special costs imposed on the public school employer for the development of unique data required by a fact-finding panel".

The P's and G's allow for a claimant to claim "Special costs imposed on the public school employer for the development of unique data required by a fact-finding panel". School Districts do not differentiate between impasse and fact finding. They prepare all documents with the knowledge that documents may be used in a fact finding panel.

Twin Rivers USD contends that all costs associated during impasse should be construed as being "special costs", preparation time included.

The mediation is an integral process of the Collective Bargaining process. The costs of mediation and fact finding flow from the negotiation process and are special within the collective bargaining process and therefore should be fully reimbursable.

In summary the Twin Rivers Unified School District disputes the following findings and amounts in the audit of its 2008/2009 through 2010/2011 fiscal year Collective Bargaining mandate reimbursement claims.

Finding # 1

The district disputes the disallowance in finding #1 for costs claimed in the wrong fiscal year totaling $12,864.

Likewise the district disputes the disallowance for costs claimed for preparation for impasse totaling $49,822.

Finding #2

The district disputes the disallowance in finding #2 for costs claimed in the wrong fiscal year totaling $2,321.

Finding # 3

The district disputes the disallowance in finding #3 for the costs claimed in the wrong fiscal year totaling $145,701.

Additionally the district disputes the disallowance for costs claimed for preparation for impasse totaling $2,032.

Sincerely,

Kate Ingersoll, CPA
Executive Director of Fiscal Services
Twin Rivers Unified School District

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