

# **GLENDALE COMMUNITY COLLEGE DISTRICT**

Audit Report

## **COLLECTIVE BARGAINING AND COLLECTIVE BARGAINING AGREEMENT DISCLOSURE PROGRAM**

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

*July 1, 2005, through June 30, 2008;  
and July 1, 2010, through June 30, 2011*



**BETTY T. YEE**  
California State Controller

November 2015



**BETTY T. YEE**  
California State Controller

November 25, 2015

Anthony Tartaglia, President  
Board of Trustees  
Glendale Community College District  
1500 North Verdugo Road  
Glendale, CA 91208

Dear Mr. Tartaglia:

The State Controller's Office audited the costs claimed by Glendale Community College 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, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2011.

The district claimed \$1,128,459 for the mandated program. Our audit found that \$181,442 is allowable and \$947,017 is unallowable. The costs are unallowable primarily because the district claimed costs for activities that are not identified as reimbursable under the parameters and guidelines, overstated costs, claimed unsupported costs, and overstated indirect costs. The State paid the district \$1,000. The State will pay allowable costs claimed that exceed the amount paid, totaling \$180,442, 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 (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 Mr. Spano by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/lis

cc: David Viar, Ed.D., Superintendent/President  
Glendale Community College District  
Ron Nakasone, Vice President, Administrative Services  
Glendale Community College District  
Mario Rodriguez, Assistant Vice Chancellor  
College Finance and Facilities Planning  
California Community Colleges Chancellor's Office  
Christine Atalig, Specialist  
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State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Glendale Community College 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, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2011.

The district claimed \$1,128,459 for the mandated program. Our audit found that \$181,442 is allowable and \$947,017 is unallowable. The costs are unallowable primarily because the district claimed costs for activities that are not identified as reimbursable under the parameters and guidelines, overstated costs, claimed unsupported costs, and overstated indirect costs. The State paid the district \$1,000. The State will pay allowable costs claimed that exceed the amount paid, totaling \$180,442, 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 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, 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, [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 - 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 and Collective Bargaining Agreement Disclosure Program for the period of July 1, 2005, through June 30, 2008; and July 1, 2010, 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.
- Tested transactions selected through auditor professional judgement for the relevant cost elements.

## Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, Glendale Community College District claimed \$1,128,459 for costs of the Collective Bargaining and Collective Bargaining Agreement Disclosure Program. Our audit found that \$181,442 is allowable and \$947,017 is unallowable.

For the fiscal year (FY) 2005-06 claim, the State made no payment to the district. Our audit found that \$38,280 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$38,280, contingent upon available appropriations.

For the FY 2006-07 claim, the State made no payment to the district. Our audit found that \$59,251 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$59,251, contingent upon available appropriations.

For the FY 2007-08 claim, the State made no payment to the district. Our audit found that \$24,564 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,564, contingent upon available appropriations.

For the FY 2010-11 claim, the State paid the district \$1,000. Our audit disclosed that \$59,347 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$58,347, contingent upon available appropriations.

## Views of Responsible Officials

We issued the draft audit report on October 23, 2015. Ron Nakasone, Vice President, Administrative Services responded by letter dated October 30, 2015 (Attachment), disagreeing with the audit results. The final audit report includes the district's response.

## Restricted Use

This report is solely for the information and use of Glendale Community College District, the California Community Colleges Chancellor's Office, 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 25, 2015

## Schedule— Summary of Program Costs July 1, 2005, through June 30, 2008; and July 1, 2010, through June 30, 2011

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 91,463	\$ 20,169	\$ (71,294)	Finding 1
Contract services	2,500	2,500	-	Finding 2
Subtotal	93,963	22,669	(71,294)	
Less base year direct costs adjusted by implicit price deflator	-	-	-	
Increased direct costs, G1 through G3	93,963	22,669	(71,294)	
Component activities G4 through G7:				
Salaries and benefits	29,793	117	(29,676)	Findings 1,2
Contract services	14,838	8,331	(6,507)	Finding 3
Increased direct costs, G4 through G7	44,631	8,448	(36,183)	
Total increased direct costs, G1 through G7	138,594	31,117	(107,477)	
Indirect costs	55,690	7,163	(48,527)	Finding 4
Total program costs	<u>\$ 194,284</u>	38,280	<u>\$ (156,004)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,280</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 152,832	\$ 39,162	\$ (113,670)	Finding 1
Contract services	6,047	6,047	-	Finding 2
Subtotal	158,879	45,209	(113,670)	
Less base year direct costs adjusted by implicit price deflator	-	-	-	
Increased direct costs, G1 through G3	158,879	45,209	(113,670)	
Component activities G4 through G7:				
Salaries and benefits	36,408	198	(36,210)	Findings 1,2
Contract services	810	-	(810)	Findings 2,3
Increased direct costs, G4 through G7	37,218	198	(37,020)	
Total increased direct costs, G1 through G7	196,097	45,407	(150,690)	
Indirect costs	86,283	13,844	(72,439)	Finding 4
Total program costs	<u>\$ 282,380</u>	59,251	<u>\$ (223,129)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 59,251</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 176,700	\$ 16,800	\$ (159,900)	Findings 1
Contract services	1,350	1,350	-	
Subtotal	178,050	18,150	(159,900)	
Less base year direct costs adjusted by implicit price deflator	-	-	-	
Increased direct costs, G1 through G3	178,050	18,150	(159,900)	
Component activities G4 through G7:				
Salaries and benefits	33,310	91	(33,219)	Finding 1 Finding 3
Contract services	4,691	472	(4,219)	
Increased direct costs, G4 through G7	38,001	563	(37,438)	
Total increased direct costs, G1 through G7	216,051	18,713	(197,338)	
Indirect costs	93,550	5,851	(87,699)	Finding 4
Total program costs	<u>\$ 309,601</u>	24,564	<u>\$ (285,037)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,564</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs				
Component activities G1 through G3:				
Salaries and benefits	\$ 208,111	\$ 36,892	\$ (171,219)	Finding 1
Contract Services	1,378	1,378	-	
Subtotal	209,489	38,270	(171,219)	
Less base year direct costs adjusted by implicit price deflator	-	-	-	
Increased direct costs, G1 through G3	209,489	38,270	(171,219)	
Component activities G4 through G7:				
Salaries and benefits	33,084	-	(33,084)	Finding 1 Finding 3
Contract services	9,005	8,397	(608)	
Increased direct costs, G4 through G7	42,089	8,397	(33,692)	
Total increased direct costs, G1 through G7	251,578	46,667	(204,911)	
Indirect costs	90,616	12,680	(77,936)	Finding 4
Total program costs	<u>\$ 342,194</u>	59,347	<u>\$ (282,847)</u>	
Less amount paid by the State		(1,000)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 58,347</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>Summary: July 1, 2008, through June 30, 2012</u>				
Total increased direct costs	\$ 802,320	\$ 141,904	\$ (660,416)	
Indirect costs	<u>326,139</u>	<u>39,538</u>	<u>(286,601)</u>	
Total program costs	<u>\$ 1,128,459</u>	181,442	<u>\$ (947,017)</u>	
Less amount paid by the State		<u>(1,000)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 180,442</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Overstated salaries and benefits

The district claimed total costs of \$761,701 in salaries and benefits during the audit period. Salaries and benefits consisted of \$629,106 in G3 – Costs of Negotiations, \$121 in G4 – Impasse Proceedings, and \$132,474 in G6 – Contract Administration costs. We determined that \$113,429 is allowable and \$648,272 is unallowable. The costs are unallowable primarily because the district overstated costs and claimed ineligible and unsupported costs.

The following table summarizes the overstated salaries and benefits costs:

	Amount Claimed	Amount Allowed	Audit Adjustment
<u>FY 2005-06</u>			
G3 - Cost of negotiations	\$ 91,463	\$ 20,169	\$ (71,294)
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	29,793	117	(29,676)
Subtotal	<u>\$ 121,256</u>	<u>\$ 20,286</u>	<u>\$ (100,970)</u>
<u>FY 2006-07</u>			
G3 - Cost of negotiations	\$ 152,832	\$ 39,162	\$ (113,670)
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	36,408	198	(36,210)
Subtotal	<u>\$ 189,240</u>	<u>\$ 39,360</u>	<u>\$ (149,880)</u>
<u>FY 2007-08</u>			
G3 - Cost of negotiations	\$ 176,700	\$ 16,800	\$ (159,900)
G4 - Impasse proceedings	121	-	(121)
G6 - Contract administration	33,189	91	(33,098)
Subtotal	<u>\$ 210,010</u>	<u>\$ 16,891</u>	<u>\$ (193,119)</u>
<u>FY 2010-11</u>			
G3 - Cost of negotiations	\$ 208,111	\$ 36,892	\$ (171,219)
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	33,084	-	(33,084)
Subtotal	<u>\$ 241,195</u>	<u>\$ 36,892</u>	<u>\$ (204,303)</u>
<u>Summary</u>			
G3 - Cost of negotiations	\$ 629,106	\$ 113,023	\$ (516,083)
G4 - Impasse proceedings	121	-	(121)
G6 - Contract administration	132,474	406	(132,068)
Total	<u>\$ 761,701</u>	<u>\$ 113,429</u>	<u>\$ (648,272)</u>

### Component G3 – Cost of Negotiations:

The district claimed \$629,106 for salaries and benefits for the Cost of Negotiations cost component that included costs for at-table negotiations, pre-negotiation activities (preparation/planning sessions), and release time for exclusive bargaining unit representatives during negotiations. Of that total, \$113,023 is allowable and \$516,083 is unallowable. The costs are unallowable because the district claimed ineligible costs, overstated costs, and claimed unsupported costs.

The costs of \$516,083 are unallowable because:

*Ineligible Costs*

- The district claimed \$182,963 in preparation costs that were not supported by source documentation. Without supporting information it was unclear whether planning sessions took place or preparation was done on an individual basis, which is not a reimbursable cost.
- The district claimed \$304,426 in release time paid to exclusive bargaining unit representatives in lieu of utilizing substitutes. The parameters and guidelines allow substitutes utilized by these individuals during negotiations; however, the salaries of union representatives are not reimbursable.

*Overstated Costs*

For FY 2006-07, the district claimed \$12,874 in overstated at-table certificated negotiation meeting costs. The overstatement resulted from the district claiming hours in excess of supported meeting times.

*Unsupported Costs*

The district did not provide support for \$15,820 in costs for time spent attending at-table negotiation meetings. Only a portion of the claimed activities was supported.

**Component G4 – Impasse Proceedings**

The district claimed \$121 in salaries and benefits for the Impasse Proceedings cost component during the audit period. We found that the entire amount is unallowable because it consists of ineligible preparation costs.

**Component G6 – Contract Administration**

The district claimed \$132,474 in salaries and benefits for the Contract Administration cost component during the audit period. We found that \$406 is allowable and \$132,068 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs.

*Ineligible Costs*

The district included \$121 in costs for work on disciplinary issues that are not eligible for reimbursement. Only costs related to grievances are eligible for reimbursement.

*Unsupported Costs*

The district did not provide support for \$131,947 in costs for contract administration activities. These costs are unsupported, and therefore, unallowable.

The program's 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. 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.

For negotiation planning sessions in the Cost of Negotiations cost component, the parameters and guidelines (section G(3)(c)) direct claimants to:

Show the costs of salaries and benefits for employee representatives and employees participating in negotiation planning sessions.

For substitute costs in the Cost of Negotiations cost component, the parameters and guidelines (section G(3)(c)) direct claimants to:

Indicate the cost of substitutes for release time of exclusive bargaining unit representatives during negotiations. Give the job classification of the bargaining unit representative that required a substitute and dates the substitute worked.

For salaries and benefits in the Impasse Proceedings cost component, the parameters and guidelines (section G(4)(a)) state that the salaries and benefits of employer representatives attending mediation sessions are reimbursable.

For salaries and benefits in the Contract Administration cost component, the parameters and guidelines (section G(6)(a)) state that the salaries and benefits of employer personnel involved in adjudication of contract disputes are reimbursable.

### 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 ensures that all costs claimed are eligible 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 (*regarding preparation costs*)

We do not agree that the planning and preparation work must be conducted as a group to be reimbursable under this mandate. The difference in opinion occurs in the definition of the work "session". Webster's dictionary has several definitions of the word session, one of which is "a period of time that is used to do a particular activity." Using this definition, a single individual can be involved in a planning or preparation session.

The State Controller's Office is losing sight of the intent of the mandated cost program in general and the Collective Bargaining program specifically through their definition of "session". The mandated cost program's objective is to reimburse entities for additional costs incurred to comply with the change in law. The additional cost incurred for preparation and planning was incurred regardless if it the activity consisted of one person or a group. The State Controller's Office will agree to reimburse planning and preparation if a group does the work. But if an individual works and produces the same product, it is denied. Perhaps the State Controller's Office needs to review its audit procedures to see why it encourages inefficiency and a waste of public funds.

#### SCO's Comment

The finding and recommendation remain unchanged.

The district did not provide supporting documentation for the majority of the costs claimed for negotiation preparation and planning time. The program's parameters and guidelines require that actual costs be traceable and supported by source documentation. In the instances for which the district provided a calendar to support its preparation and planning time, costs are only reimbursable when meetings with more than one participant took place. These meetings align with the definition of a planning session, which is a reimbursable cost per the parameters and guidelines.

There is no mention of negotiation preparation as a reimbursable activity in the program's parameters and guidelines section G(3). However, the term "preparation" is included in sections G(1)(c)(2) and G(1)(c)(6) of the parameters and guidelines for allowable costs associated with the determination of the exclusive representative. We conclude that as the term preparation is not included in section G(3), negotiation preparation is not a reimbursable activity.

The term "negotiation planning session" that appears in the parameters and guidelines section G(3)(b) is not defined. However, "session" implies a meeting or gathering. *Webster's New World Dictionary* (copyright © 2010) defines "session" as: "(a) the sitting together or meeting of a group, assembly, as of a court, legislature, council, etc., (b) a continuous day-to-day series of such meetings, and (c) the term or period of such a meeting or meetings." Therefore, we conclude that individual negotiation preparation time is not a reimbursable activity as the term "preparation" is absent from the parameters and guidelines for this component and the common definition of "session" refers to a group activity.

#### District's Response (regarding release time)

This statement is totally inaccurate and has been pointed out to the State Controller's Office on numerous occasions. The district has never claimed the release time paid to exclusive bargaining unit representatives, but has always claimed substitute costs.

The Collective Bargaining Mandated Cost program allows for the reimbursement of substitutes for exclusive bargaining members. Where the difference in opinion occurs is in the definition of "release time". The State Controller's Office believes that the exclusive bargaining member must have an assignment during the time of "at the table" negotiations

and in this case a substitute required for this timeframe is reimbursable.

The definition of “release time” is “a time or period allotted to a teacher apart from the normal duties for a special activity”. The district, per its collective bargaining agreement, provides for release time for exclusive bargaining unit members to serve on the union’s collective bargaining team. The district has claimed the substitutes working the “release time” load of these exclusive bargaining members. This cost was denied.

But even under the State Controller's Office’s definition, some of the claimed cost should be reimbursable. The district should at least be allowed the cost of the substitutes for the “at the table” time as this is clearly allowed in the parameters and guidelines. Substitutes could be provided, however, because an assignment could not be shown for the instruction during the time of negotiation, it was denied. The district’s position is that since negotiations are held at the same time each week, it would not be reasonable to assign an instructor a class during this time knowing that he would be absent the majority of the time.

#### SCO’s Comment

The finding and recommendation remain unchanged.

The program’s parameters and guidelines section G(3)(c) identifies reimbursable costs as “the cost of substitutes for release time of exclusive bargaining unit representatives during negotiations.” The district does not utilize substitutes. Exclusive bargaining unit representatives are not scheduled to teach courses during the time of “at-table” negotiations, therefore, substitutes are not necessary for this purpose. Courses that take place at the time of negotiation meetings are taught by other district faculty for the entirety of the course. This is acknowledged by the district’s response, which states “it would not be reasonable to assign an instructor a class during this time knowing that he would be absent the majority of the time.”

The district claimed costs identified as “release time” in three of the four claims filed for the audit period. The supporting documentation initially provided to support the claimed costs described that union representatives were paid release time by having a reduced teaching time base, while being paid on a full-time basis. The parameters and guidelines in section G(3)(c) states that “the salaries of union representatives are not reimbursable.”

The district then stated that the lump sum claimed as “release time” was not the amount paid to the union representatives, but instead, represented the salaries paid to adjunct faculty that instructed courses that might otherwise have been taught by a union representative, if they were teaching a full load. These courses are taught entirely by adjunct faculty, therefore, they are not substitutes during negotiation meetings. A substitute is required to be utilized in order for a reimbursable activity to have occurred.

**FINDING 2—  
Miscategorized costs**

For FY 2005-06 and FY 2006-07, the district placed costs in the incorrect section or cost component of the claim. In order to report costs consistently throughout the audit period, we moved the costs to the appropriate sections of the claim. This adjustment has no impact on the total claimed amounts.

For FY 2005-06, contract services costs supporting negotiations totaling \$2,500 were claimed as salaries and benefits in the G6 – Contract Administration cost component. We moved the contract services costs to the G3 – Cost of Negotiations cost component.

For FY 2006-07, contract services costs supporting negotiations totaling \$5,000 were originally claimed in a different cost component, under two expense types. These costs were originally claimed in the G6 – Contract Administration component, with \$2,500 in contract services and \$2,500 in salaries and benefits. We moved contract services costs supporting negotiations totaling \$5,000 to the G3 – Cost of Negotiations cost component.

**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 ensures that all costs are claimed in the appropriate cost category.

**District's Response**

The district did not respond to this audit finding.

**SCO's Comments:**

The finding and recommendation remain unchanged.

**FINDING 3—  
Unallowable contract  
services**

The district claimed \$40,619 in contract services for the audit period. We found that \$28,475 is allowable and \$12,144 is unallowable. The costs are unallowable primarily because the district claimed non-reimbursable costs.

The following table summarizes the unallowable contract service costs:

	Amount Claimed	Amount Allowed	Audit Adjustment
<u>FY 2005-06</u>			
G3 - Cost of negotiations	\$ 2,500	\$ 2,500	\$ -
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	14,838	8,331	(6,507)
Subtotal	<u>\$ 17,338</u>	<u>\$ 10,831</u>	<u>\$ (6,507)</u>
<u>FY 2006-07</u>			
G3 - Cost of negotiations	\$ 6,047	\$ 6,047	\$ -
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	810	-	(810)
Subtotal	<u>\$ 6,857</u>	<u>\$ 6,047</u>	<u>\$ (810)</u>
<u>FY 2007-08</u>			
G3 - Cost of negotiations	\$ 1,350	\$ 1,350	\$ -
G4 - Impasse proceedings	371	371	-
G6 - Contract administration	4,320	101	(4,219)
Subtotal	<u>\$ 6,041</u>	<u>\$ 1,822</u>	<u>\$ (4,219)</u>
<u>FY 2010-11</u>			
G3 - Cost of negotiations	\$ 1,378	\$ 1,378	\$ -
G4 - Impasse proceedings	-	-	-
G6 - Contract administration	9,005	8,397	(608)
Subtotal	<u>\$ 10,383</u>	<u>\$ 9,775</u>	<u>\$ (608)</u>
<u>Summary</u>			
G3 - Cost of negotiations	\$ 11,275	\$ 11,275	\$ -
G4 - Impasse proceedings	371	371	-
G6 - Contract administration	28,973	16,829	(12,144)
Total	<u>\$ 40,619</u>	<u>\$ 28,475</u>	<u>\$ (12,144)</u>

### **Component G3 – Cost of Negotiations**

For the Cost of Negotiations cost component, the district claimed \$11,275. We found that the entire amount is allowable.

### **Component G4 – Impasse Proceedings**

The district claimed \$371 in contract services for the Impasse Proceedings cost component for the audit period. We found that the entire amount is allowable.

### **Component G6 – Contract Administration**

The district claimed \$28,973 in contract services for the Contract Administration cost component for the audit period. We found that \$16,829 is allowable and \$12,144 is unallowable. The costs are unallowable because the district claimed non-reimbursable costs related to the district's portion of arbitration fees and other work unrelated to the adjudication of contract grievances. A grievance is a dispute involving the interpretation, application, or a violation of a collective bargaining agreement. A disciplinary action against an employee is a voluntary action on the part of the district, and therefore, not related to collective bargaining.

### *Non- Reimbursable Costs*

- The district claimed non-reimbursable costs totaling \$4,145 for arbitration fees concerning the adjudication of grievances. The parameters and guidelines allow only the district's portion of that cost, or 50%.
- The district claimed \$6,582 in general contract administration and interpretation costs. The parameters and guidelines allow only work related to the adjudication of contract disputes.
- The district claimed \$1,417 in costs related to disciplinary issues, not the adjudication of contract disputes. Such costs are not reimbursable per the parameters and guidelines.

The parameters and guidelines (section G, subsection (6)(a)) state:

Salaries and benefits of employer personnel involved in adjudication of contract disputes. Contract services will be reimbursed...

The parameters and guidelines (section G, subsection (6)(i)) state:

Public school employer's portion of arbitrators' fees for adjudicating grievances, representing 50% of costs, will be reimbursed.

### 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 ensures that all costs claimed are eligible 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 (*regarding contract administration costs*)

These denied costs are attorney bills that the district believes should be allowed as they are related to contract disputes. The State Controller's Office has denied these costs because there was not any supporting documentation tying these charges to a specific dispute or grievance. Our collective bargaining agreements define different levels of grievances. The first level is a verbal complaint between the employee and his/ her supervisor. The level of grievance is the most common and many are resolved without proceeding to a higher level. In resolving these grievances, it's not uncommon to use legal advice for the interpretation of our contract and related laws. Because the grievance is at the verbal stage, there is no paper document filed by the grievant. For this reason, there is not a document that could be provided to the State Controller's Office linking the attorney bill to a specific complaint or grievance and as a result, the cost was denied.

The parameters and guidelines do not require this document. They do allow for an invoice to be the supporting documentation which was provided to the State Controller's Office. While it was explained to the State Controller's Office that there would be no reason to involve an attorney on an interpretation of our contract or the law unless there was

a challenge from an employee or his/her union, it was not accepted. The district believes that these costs should be allowable.

SCO Comments:

The finding and recommendation remain unchanged.

The parameters and guidelines (section G(6)(a)) state that reimbursable costs include, "Salaries and benefits of employer personnel involved in adjudication of contract disputes. Contract services will be reimbursed." The lawyer logs provided by the district to substantiate the work on contract administration activities were explicitly labeled. We allowed costs claimed that were supported by lawyer logs that identified the grievances worked on by attorneys.

The \$6,582 in unallowable costs is made up of costs that were not included in the grievance section of the lawyer logs. These costs were separately labeled as contract interpretation. As a result, we excluded these costs from reimbursement because they were not included in the grievance section of the lawyer logs. In addition, the district has not provided any additional supporting documentation to substantiate that these charges were indeed for work on contract disputes.

**FINDING 4—  
Overstated indirect  
costs**

The district claimed \$326,139 in indirect costs for the audit period. We found that \$39,538 is allowable and \$286,601 is unallowable. Of the total, \$285,776 in overstated indirect costs resulted from the adjustments to related direct costs. Related direct costs were reduced because the district overstated salaries and benefits (see Finding 1), the district did not apply the indirect cost rate to the correct cost base, and the district miscategorized claimed costs (See Finding 2). The remaining \$825 in overstated indirect costs resulted from the district utilizing the incorrect indirect cost rate in the first two years of the audit period.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the audit for the audit period by fiscal year:

	Fiscal Year				Total
	2005-06	2006-07	2007-08	2010-11	
Allowable increased direct salaries	\$ 16,542	\$ 31,973	\$ 13,513	\$ 29,285	
Allowable indirect cost rate	43.30%	43.30%	43.30%	43.30%	
Allowable indirect costs	7,163	13,844	5,851	12,680	39,538
Less: indirect costs claimed	55,690	86,283	93,550	90,616	326,139
Audit adjustment	\$ (48,527)	\$ (72,439)	\$ (87,699)	\$ (77,936)	\$ (286,601)

**Recap: Indirect cost adjustment**

	Total
Overstated indirect costs due to adjustments to direct cost base	(285,776)
Overstated indirect costs due to use of incorrect indirect cost rate	(825)
Audit adjustment	\$ (286,601)

The U.S. Department of Health & Human Services approved the 43.30% rate to be applied to an allocation base of direct salaries and wages, excluding all other fringe benefits in all four years of the audit period. The district, however, applied this rate to the correct base for FY 2010-11 only. For FY 2005-06 and FY 2006-07, the district used the incorrect rate of 45% applied to total salaries and benefits. In FY 2007-08, the district used the correct indirect costs rate, however, it was applied to both total salaries and benefits and contract costs instead of direct salaries only.

The parameters and guidelines (section H(6)) state:

Community College Districts must use one of the following three alternatives:

- A Federally-approved rate based on OMB Circular A-21;
- The State Controller’s FMA-29C which uses the CCFS-311; or
- Seven percent (7 %).

**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 ensures that all costs claimed are eligible per the parameters and guidelines, and are properly supported. Further, the district must apply the approved indirect cost rate to the appropriate base.

**District’s Response**

The district did not respond to this audit finding.

**SCO’s Comments:**

The finding and recommendation remain unchanged.

**Attachment—  
County's Response to  
Draft Audit Report**

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**Dr. David Viar**  
Superintendent/President

BOARD OF TRUSTEES  
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October 30, 2015

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

RE: Collective Bargaining Audit Report for Fiscal Years 2005-06 through 2007-08 and 2010-11

Dear Mr. Spano:

We have received the Collective Bargaining Audit Report for the 2005-06 through 2007-08 and 2010-11 fiscal years. We are not in agreement with the following findings:

**Finding 1 Component G3 – Cost of Negotiations**

**Ineligible Costs**

**“The district claimed \$182,963 in preparation costs that were not supported by source documentation. Without supporting information it was unclear whether planning sessions took place or preparation was done on an individual basis, which is not a reimbursable cost.”**

We do not agree that the planning and preparation work must be conducted as a group to be reimbursable under this mandate. The difference in opinion occurs in the definition of the word “session”. Webster’s dictionary has several definitions of the word session, one of which is “a period of time that is used to do a particular activity.” Using this definition, a single individual can be involved in a planning or preparation session.

The State Controller’s Office is losing sight of the intent of the mandated cost program in general and the Collective Bargaining program specifically through their definition of “session”. The mandated cost program’s objective is to reimburse entities for additional costs incurred to comply with a change in law. The additional cost incurred for preparation and planning was incurred regardless of if the activity consisted of one person or a group. The State Controller’s Office will agree to reimburse planning and preparation if a group does the work. But if an individual works and produces the same product, it is denied. Perhaps the State Controller’s Office needs to review its audit procedures to see why it encourages inefficiency and a waste of public funds



**Finding 1 Component G3 – Cost of Negotiations**

**Ineligible Costs**

**“The district claimed \$304,426 in release time paid to exclusive bargaining unit representatives in lieu of utilizing substitutes. The parameters and guidelines allow substitutes utilized by these individuals during negotiations; however, the salaries of union representatives are not reimbursable.”**

This statement is totally inaccurate and has been pointed out to the State Controller’s Office on numerous occasions. The district has never claimed the release time paid to exclusive bargaining unit representatives, but has always claimed the substitute costs.

The Collective Bargaining Mandated Cost program allows for the reimbursement of substitutes for exclusive bargaining members. Where the difference in opinion occurs is in the definition of “release time”. The State Controller’s Office believes that the exclusive bargaining member must have an assignment during the time of “at the table” negotiations and in this case a substitute required for this timeframe is reimbursable.

The definition of “release time” is “a time or period allotted to a teacher apart from the normal duties for a special activity”. The district, per its collective bargaining agreement, provides for release time for exclusive bargaining unit members to serve on the union’s collective bargaining team. The district has claimed the substitutes working the ‘release time’ load of these exclusive bargaining members. This cost was denied.

But even under the State Controller’s Office’s definition, some of the claimed cost should be reimbursable. The district should at least be allowed the cost of the substitutes for the “at the table” time as this is clearly allowed in the parameter and guidelines. Substitutes could be provided, however, because an assignment could not be shown for the instructor during the time of negotiation, it was denied. The district’s position is that since negotiations are held at the same time each week, it would not be reasonable to assign an instructor a class during this time knowing that he would be absent the majority of time.

**Finding 3 Component G6 – Contract Administration**

**Non-Reimbursable Costs**

**“The district claimed \$6,582 in general contract administration and interpretation costs. The parameters and guidelines allow only work related to the adjudication of contract disputes.”**

These denied costs are attorney bills that the district believes should be allowable as they are related to contract disputes. The State Controller’s Office has denied these costs because there was not any supporting documentation tying these charges to a specific dispute or grievance. Our collective bargaining agreements define different levels of grievances. The first level is a verbal complaint

between the employee and his/her supervisor. This level of grievance is the most common and many are resolved without proceeding to a higher level. In resolving these grievances, it not uncommon to use legal advice for the interpretation of our contract and related laws. Because the grievance is at the verbal stage, there is no paper document filed by the grievant. For this reason, there is not a document that could be provided to the State Controller's Office linking the attorney bill to a specific complaint or grievance and as a result, the cost was denied.

The parameters and guidelines do not require this document. They do allow for an invoice to be the supporting documentation which was provided to the State Controller's Office. While it was explained to the State Controller's Office that there would be no reason to involve an attorney on an interpretation of our contract or the law unless there was a challenge from an employee or his/her union, it was not accepted. The district believes that these costs should be allowable.

The District is requesting that the final audit report be amended by incorporating the changes described above. Please feel free to contact me if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Nakasone", with a long horizontal flourish extending to the right.

Ron Nakasone  
Executive Vice President, Administrative Services

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