



**JOHN CHIANG**  
California State Controller

December 9, 2013

Micheline G. Miglis, Superintendent  
Plumas Unified School District  
50 Church Street  
Quincy, CA 95971

Dear Ms. Miglis:

The State Controller's Office reviewed the costs claimed by Plumas Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2008, through June 30, 2012. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$84,200 for the mandated program. Our review found that \$51,852 is allowable and \$32,348 is unallowable. The costs are unallowable because the district did not report any Winton Act base-year costs and did not claim indirect costs on contract services, as described in the attached Summary of Program Costs and the Findings and Recommendations. The State paid \$5,810. The State will pay allowable costs claimed that exceed the amount paid, totaling \$46,042, contingent upon available appropriations.

We informed Yvonne Bales, Director of Business Services, of the review findings via email on November 18, 2013. We did not receive a response from the district.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

Attachments

RE: S14-MCC-934

cc: Yvonne Bales, Director of Business Services  
Plumas Unified School District  
Scott Hannan, Director, School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director, Fiscal Policy Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems Unit, California Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

## Attachment 1— Summary of Program Costs July 1, 2008, through June 30, 2012

Cost Elements	Actual Cost Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 14,907	\$ 14,907	\$ —	
Contract services	3,960	3,960	—	
Subtotal	18,867	18,867	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(8,384)	(8,384)	Finding 1
Increased direct costs, G1 through G3	18,867	10,483	(8,384)	
Component activities G4 through G7:				
Salaries and benefits	1,209	1,209	—	
Contract services	8,638	8,638	—	
Increased direct costs, G4 through G7	9,847	9,847	—	
Total increased direct costs, G1 through G7	28,714	20,330	(8,384)	
Indirect costs	1,280	1,614	334	Findings 1, 2
Total program costs	<u>\$ 29,994</u>	21,944	<u>\$ (8,050)</u>	
Less amount paid by the State		(3,715)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,229</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 15,226	\$ 15,226	\$ —	
Contract services	5,848	5,848	—	
Subtotal	21,074	21,074	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(8,477)	(8,477)	Finding 1
Increased direct costs, G1 through G3	21,074	12,597	(8,477)	
Component activities G4 through G7:				
Salaries and benefits	1,322	1,322	—	
Contract services	2,869	2,869	—	
Increased direct costs, G4 through G7	4,191	4,191	—	
Total increased direct costs, G1 through G7	25,265	16,788	(8,477)	
Indirect costs	1,501	1,523	22	Findings 1, 2
Total program costs	<u>\$ 26,766</u>	18,311	<u>\$ (8,455)</u>	
Less amount paid by the State		(2,095)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 16,216</u>		

### Attachment 1 (continued)

Cost Elements	Actual Cost Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 6,351	\$ 6,351	\$ —	
Contract services	236	236	—	
Subtotal	6,587	6,587	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(8,676)	(8,676)	Finding 1
Subtotal	6,587	(2,089)	(8,676)	
Adjustment to eliminate negative balance	—	2,089	2,089	
Total increased direct costs, G1 through G3	6,587	—	(6,587)	
Component activities G4 through G7:				
Salaries and benefits	737	737	—	
Contract services	7,848	7,848	—	
Increased direct costs, G4 through G7	8,585	8,585	—	
Total increased direct costs, G1 through G7	15,172	8,585	(6,587)	
Indirect costs	703	851	148	Findings 1, 2
Total program costs	<u>\$ 15,875</u>	9,436	<u>\$ (6,439)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,436</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 7,185	\$ 7,185	\$ —	
Contract services	1,750	1,750	—	
Subtotal	8,935	8,935	—	
Less base-year direct costs adjusted by the implicit price deflator	—	(8,969)	(8,969)	Finding 1
Subtotal	8,935	(34)	(8,969)	
Adjustment to eliminate negative balance	—	34	34	
Increased direct costs, G1 through G3	8,935	—	(8,935)	
Component activities G4 through G7:				
Salaries and benefits	2,029	2,029	—	
Increased direct costs, G4 through G7	2,029	2,029	—	
Total increased direct costs, G1 through G7	10,964	2,029	(8,935)	
Indirect costs	601	132	(469)	Findings 1, 2
Total program costs	<u>\$ 11,565</u>	2,161	<u>\$ (9,404)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,161</u>		

## Attachment 1 (continued)

Cost Elements	Actual Cost Claimed	Allowable per Review	Review Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 2008, through June 30, 2012</u>				
Total increased direct costs, G1 through G7	\$ 80,115	\$ 47,732	\$ (32,383)	
Indirect costs	4,085	4,120	35	
Total program costs	<u>\$ 84,200</u>	51,852	<u>\$ (32,348)</u>	
Less amount paid by the State		(5,810)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 46,042</u>		

<sup>1</sup> See Attachment 2, Findings and Recommendations.

---

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

---

### Background

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

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public school employers. The legislation created the Public Employment Relations Board to issue formal interpretations and rulings regarding collective bargaining under the Rodda Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [CSM]) determined that the Rodda Act imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Chapter 1213, Statutes of 1991, added Government Code section 3547.5; this section requires school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding. On August 20, 1998, the CSM determined that this legislation also imposed a state mandate upon school districts reimbursable under Government Code section 17561.

Claimants are allowed to claim increased costs. For components G1 through G3, increased costs represent the difference between the current-year Rodda Act activities and the base-year Winton Act activities (generally, fiscal year [FY] 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on October 22, 1980, and amended them ten times, most recently on January 29, 2010.

In compliance with Government Code section 17558, the State Controller's Office (SCO) issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

**FINDING 1—  
Unreported Winton Act  
base-year direct costs,  
and related indirect  
costs**

The district did not report any Winton Act direct costs on its mandated cost claims for FY 2008-09 through FY 2011-12. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, thus understating the Winton Act base-year costs by \$34,506 for the review period. Unallowable related indirect costs total \$2,670.

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

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Winton Act base-year costs, FY 1996-97	\$ (1,893)	\$ (1,893)	\$ (1,893)	\$ (1,893)	
Implicit price deflator (IPD)	× 4.429	× 4.478	× 4.583	× 4.738	
Winton Act base-year costs adjusted by the IPD	(8,384)	(8,477)	(8,676)	(8,969)	(34,506)
Less reported Winton Act base-year costs	-	-	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(8,384)	(8,477)	(8,676)	(8,969)	(34,506)
Related indirect cost adjustment	(666)	(768)	(653)	(583)	(2,670)
Review adjustment	\$ (9,050)	\$ (9,245)	\$ (9,329)	\$ (9,552)	\$ (37,176)

The parameters and guidelines (Section H – Supporting Data for Claims – Report Format for Submission of Claim) state:

- a. For component activities G1, G2, and G3:
  - 1. Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities. The Winton Act base-year is generally fiscal year 1974-75.

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator shall be listed in the annual claiming instructions of the State Controller.

The Winton Act base-year costs were obtained from the FY 1996-97 claim the district submitted to the SCO’s Division of Accounting and Reporting. The implicit price deflator (IPD) is reported in the SCO’s annual claiming instructions.

Recommendation

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

**FINDING 2—  
Unclaimed indirect costs  
on contract services**

The district did not claim indirect costs on contract services for FY 2008-09 through FY 2011-12, resulting in an understatement of \$2,705. We determined allowable indirect costs by multiplying allowable contract services by the indirect cost rates claimed by the district, which agreed to the indirect cost rates approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates apply to total direct costs (salaries and benefits, materials and supplies, and contract services). The error occurred because the district followed the claiming instructions identified on Form 1 for the Collective Bargaining Program that inadvertently excluded contract services from the calculation of indirect costs. The Collective Bargaining Program claiming instructions have since been corrected.

The following table summarizes the calculation of unclaimed indirect costs on contract services by fiscal year:

	Fiscal Year				Total
	2008-09	2009-10	2010-11	2011-12	
Allowable contract services	\$ 12,598	\$ 8,717	\$ 8,084	\$ 1,750	
Claimed indirect cost rate	7.94%	9.07%	9.91%	6.53%	
Review adjustment	\$ 1,000	\$ 790	\$ 801	\$ 114	\$ 2,705

Recommendation

We recommend that the district follow the updated guidance in the claiming instructions for calculating indirect costs on contract services.