

NORWALK-LA MIRADA UNIFIED SCHOOL DISTRICT

Revised Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2000, through June 30, 2003



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 22, 2011

Lorraine Neal
Board President
Norwalk-La Mirada Unified School District
12820 Pioneer Boulevard
Norwalk, CA 90650-2894

Dear Ms. Neal:

The State Controller's Office (SCO) audited the costs claimed by the Norwalk-La Mirada 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, 2000, through June 30, 2003.

The district claimed \$1,118,551 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$602,473. The State will pay allowable costs claimed that exceed the amount paid, totaling \$516,078, contingent upon available appropriations.

This revised final report supersedes the previous revised report dated January 17, 2007. We reconsidered the findings in light of the September 21, 2010 appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. In the prior final audit report, we did not allow costs supported only with employee certifications of monthly hours without contemporaneous documentation validating the hours claimed. Most of these certifications were prepared at the end or subsequent to the end of each fiscal year. However, the court ruled that the SCO contemporaneous source document rule (CSDR) was invalid prior to the Commission on State Mandates' (CSM) adoption of the rule in the Collective Bargaining Program's parameters and guidelines. The CSM adopted the CSDR in this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the findings without using the CSDR. We reinstated the entire salaries, benefits and related indirect costs claimed totaling \$503,346 and \$11,627 of the \$12,732 contract services costs. We also eliminated the remaining immaterial contract services costs finding totaling \$1,105. In addition, we eliminated a non-monetary indirect cost pools finding that is not longer significant. Consequently, we reinstated the entire unallowable costs totaling \$516,078.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Ruth Pérez, Ed.D., Superintendent
Norwalk-La Mirada Unified School District
Maureen Saul, Ph.D.
Assistant Superintendent of Business Services
Norwalk-La Mirada Unified School District
Manuel S. Cardoso, Jr.
Director of Fiscal Services
Norwalk-La Mirada Unified School District
John R. Gundry, Interim Superintendent of Schools
Los Angeles County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Director
Fiscal Policy Division
California Department of Education
Thomas Todd, Principal Program Budget Analyst
Education Systems Unit
Department of Finance
Gregory A. Wedner, Attorney
Lozano Smith
Kathy Lynch, Deputy Attorney General
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Commission on State Mandates
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Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials.....	3
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Norwalk-La Mirada 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, 2000, through June 30, 2003.

The district claimed \$1,118,551 for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$602,473. The State will pay allowable costs claimed that exceed the amount paid, totaling \$516,078, contingent upon available appropriations.

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In compliance with the court decision, we reconsidered the findings without using the CSDR. We reinstated the entire salaries, benefits, and related indirect costs claimed totaling \$503,346, and \$11,627 of the \$12,732 contract services costs. We also eliminated the remaining immaterial contract services costs finding totaling \$1,105. In addition, we eliminated a non-monetary indirect cost pools finding that is no longer significant. Consequently, we reinstated the entire unallowable costs totaling \$516,078.

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

The seven components are as follows:

- G1–Determining bargaining units and exclusive representatives
- G2–Election of unit representatives
- G3–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 CSM adopted the parameters and guidelines on October 22, 1980, and last amended them on January 27, 2000. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, 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, 2000, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

Our audit disclosed no material instances of noncompliance with the requirements outlined above.

For the audit period, Norwalk-La Mirada Unified School District claimed \$1,118,551 for costs of the Collective Bargaining Program. The State paid the district \$602,473. The State will pay allowable costs claimed that exceed the amount paid, totaling \$516,078, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on August 26, 2005. Maureen Saul, Assistant Superintendent of Business Services, responded by letter dated September 26, 2005, disagreeing with the audit results. We issued the final audit report on December 23, 2005, and revised it on January 17, 2007.

Subsequently, we eliminated the finding in light of the appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. We reinstated the entire costs claimed totaling \$1,118,551. We notified Manuel S. Cardoso, Jr., Director of Fiscal Services, of the changes on November 19, 2010, and e-mailed him a preliminary copy of the revised final report on March 11, 2011. In an e-mail dated March 21, 2011, Mr. Cardoso stated that the district received and understands the changes stated in the report and has no further comment at this time.

Restricted Use

This report is solely for the information and use of the Norwalk-La Mirada Unified School District, the Los Angeles 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
Chief, Division of Audits

March 22, 2011

**Revised Schedule 1—
Summary of Program Costs
July 1, 2000, through June 30, 2003**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>
<u>July 1, 2000, through June 30, 2001</u>			
Components activities G1 through G3:			
Salaries and benefits	\$ 99,656	\$ 99,656	\$ —
Materials and supplies	314	314	—
Contracted services	<u>6,230</u>	<u>6,230</u>	<u>—</u>
Increased direct costs, G1 through G3	<u>106,200</u>	<u>106,200</u>	<u>—</u>
Components activities G4 through G7:			
Salaries and benefits	165,874	165,874	—
Materials and supplies	754	754	—
Contracted services	<u>7,333</u>	<u>7,333</u>	<u>—</u>
Increased direct costs, G4 through G7	<u>173,961</u>	<u>173,961</u>	<u>—</u>
Total increased direct costs, G1 through G7	280,161	280,161	—
Indirect costs	<u>17,995</u>	<u>17,995</u>	<u>—</u>
Total costs	<u>\$ 298,156</u>	298,156	<u>\$ —</u>
Less amount paid by the State		<u>(65,628)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 232,528</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Components activities G1 through G3:			
Salaries and benefits	\$ 173,242	\$ 173,242	\$ —
Materials and supplies	314	314	—
Increased direct costs, G1 through G3	<u>173,556</u>	<u>173,556</u>	<u>—</u>
Components activities G4 through G7:			
Salaries and benefits	163,511	163,511	—
Materials and supplies	158	158	—
Contracted services	<u>5,848</u>	<u>5,848</u>	<u>—</u>
Increased direct costs, G4 through G7	<u>169,517</u>	<u>169,517</u>	<u>—</u>
Total increased direct costs, G1 through G7	343,073	343,073	—
Indirect costs	<u>22,796</u>	<u>22,796</u>	<u>—</u>
Total costs	<u>\$ 365,869</u>	365,869	<u>\$ —</u>
Less amount paid by the State		<u>(257,371)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 108,498</u>	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2002, through June 30, 2003</u>			
Components activities G1 through G3:			
Salaries and benefits	\$ 130,533	\$ 130,533	\$ —
Materials and supplies	314	314	—
Increased direct costs, G1 through G3	<u>130,847</u>	<u>130,847</u>	<u>—</u>
Components activities G4 through G7:			
Salaries and benefits	162,445	162,445	—
Materials and supplies	919	919	—
Contracted services	<u>138,485</u>	<u>138,485</u>	<u>—</u>
Increased direct costs, G4 through G7	<u>301,849</u>	<u>301,849</u>	<u>—</u>
Total increased direct costs, G1 through G7	432,696	432,696	—
Indirect costs	<u>21,830</u>	<u>21,830</u>	<u>—</u>
Total costs	<u>\$ 454,526</u>	454,526	<u>\$ —</u>
Less amount paid by the State		(279,474)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 175,052</u>	
<u>Summary: July 1, 2000, through June 30, 2003</u>			
Components activities G1 through G3:			
Salaries and benefits	\$ 403,431	\$ 403,431	\$ —
Materials and supplies	942	942	—
Contracted services	<u>6,230</u>	<u>6,230</u>	<u>—</u>
Increased direct costs, G1 through G3	<u>410,603</u>	<u>410,603</u>	<u>—</u>
Components activities G4 through G7:			
Salaries and benefits	491,830	491,830	—
Materials and supplies	1,831	1,831	—
Contracted services	<u>151,666</u>	<u>151,666</u>	<u>—</u>
Increased direct costs, G4 through G7	<u>645,327</u>	<u>645,327</u>	<u>—</u>
Total increased direct costs, G1 through G7	1,055,930	1,055,930	—
Indirect costs	<u>62,621</u>	<u>62,621</u>	<u>—</u>
Total costs	<u>\$1,118,551</u>	1,118,551	<u>\$ —</u>
Less amount paid by the State		(602,473)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 516,078</u>	

**State Controller's Office
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