

OXNARD SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2002, through June 30, 2006



JOHN CHIANG
California State Controller

December 2009



JOHN CHIANG
California State Controller

December 11, 2009

Denis O'Leary
School Board Trustee, President
Oxnard School District
1051 South "A" Street
Oxnard, CA 93030

Dear Mr. O'Leary:

The State Controller's Office audited the costs claimed by the Oxnard 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, 2002, through June 30, 2006.

The district claimed \$778,184 for the mandated program. Our audit disclosed that \$717,795 is allowable and \$60,389 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs. The State paid the district \$769,353. The State will offset \$51,558 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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/vb

cc: Anthony Monreal, Ed.D., Superintendent
Oxnard School District
Lisa Cline, Director of Finance
Oxnard School District
Glenston Thompson, Assistant Superintendent
Oxnard School District
Ginny Brummels, Section Manager
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Oxnard 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, 2002, through June 30, 2006.

The district claimed \$778,184 for the mandated program. Our audit disclosed that \$717,795 is allowable and \$60,389 is unallowable. The costs are unallowable because the district claimed ineligible and unsupported costs. The State paid the district \$769,353. The State will offset \$51,558 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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 schools. 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 [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 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 to assist local agencies and school districts in claiming mandated program 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, 2002, through June 30, 2006.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the 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.

Conclusion

Our audit disclosed 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, the Oxnard School District claimed \$778,184 for costs of the Collective Bargaining Program. Our audit disclosed that \$717,795 is allowable and \$60,389 is unallowable.

The State paid the district \$769,353. Our audit disclosed that \$717,795 is allowable. The State will offset \$51,558 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on October 23, 2009. Glenston Thompson, Assistant Superintendent, responded by letter dated November 12, 2009 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Oxnard School District, the Ventura 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

December 11, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 32,665	\$ 28,031	\$ (4,634)	Finding 1
Contracted services	27,153	26,167	(986)	Finding 2
Increased direct costs, G1 through G3	59,818	54,198	(5,620)	
Component activities G4 through G7:				
Salaries and benefits	9,209	4,888	(4,321)	Finding 1
Contracted services	12,905	12,905	—	
Increased direct costs, G4 through G7	22,114	17,793	(4,321)	
Total increased direct costs, G1 through G7	81,932	71,991	(9,941)	
Less base year direct costs adjusted by implicit price deflator	(10,610)	(10,610)	—	
Indirect costs	1,648	3,235	1,587	Findings 1, 3
Total program costs	\$ 72,970	64,616	\$ (8,354)	
Less amount paid by the State		(72,970)		
Allowable costs claimed in excess of (less than) amount paid		\$ (8,354)		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 35,558	\$ 23,918	\$ (11,640)	Finding 1
Contracted services	139,439	139,439	—	
Increased direct costs, G1 through G3	174,997	163,357	(11,640)	
Component activities G4 through G7:				
Contracted services	12,543	(431)	(12,974)	Finding 2
Increased direct costs, G4 through G7	12,543	(431)	(12,974)	
Total increased direct costs, G1 through G7	187,540	162,926	(24,614)	
Less base year direct costs adjusted by implicit price deflator	(10,997)	(10,997)	—	
Indirect costs	1,078	6,669	5,591	Findings 1, 3
Total program costs	\$ 177,621	158,598	\$ (19,023)	
Less amount paid by the State		(177,621)		
Allowable costs claimed in excess of (less than) amount paid		\$ (19,023)		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 24,533	\$ 13,157	\$ (11,376)	Finding 1
Contracted services	<u>104,776</u>	<u>104,776</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>129,309</u>	<u>117,933</u>	<u>(11,376)</u>	
Component activities G4 through G7:				
Salaries and benefits	143	—	(143)	Finding 1
Contracted services	<u>140,830</u>	<u>135,605</u>	<u>(5,225)</u>	Finding 2
Increased direct costs, G4 through G7	<u>140,973</u>	<u>135,605</u>	<u>(5,368)</u>	
Total increased direct costs, G1 through G7	270,282	253,538	(16,744)	
Less base year direct costs adjusted by implicit price deflator	(11,490)	(11,490)	—	
Indirect costs	<u>589</u>	<u>10,819</u>	<u>10,230</u>	Findings 1, 3
Total program costs	<u>\$ 259,381</u>	252,867	<u>\$ (6,514)</u>	
Less amount paid by the State		<u>(259,381)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (6,514)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 102,711	\$ 88,585	\$ (14,126)	Finding 1
Materials and supplies	152	152	—	
Contracted services	<u>141,224</u>	<u>126,630</u>	<u>(14,594)</u>	Finding 2
Increased direct costs, G1 through G3	<u>244,087</u>	<u>215,367</u>	<u>(28,720)</u>	
Component activities G4 through G7:				
Salaries and benefits	3,799	945	(2,854)	Finding 1
Materials and supplies	22	22	—	
Contracted services	<u>28,553</u>	<u>27,432</u>	<u>(1,121)</u>	Finding 2
Increased direct costs, G4 through G7	<u>32,374</u>	<u>28,399</u>	<u>(3,975)</u>	
Total increased direct costs, G1 through G7	276,461	243,766	(32,695)	
Less base year direct costs adjusted by implicit price deflator	(12,506)	(12,506)	—	
Indirect costs	<u>4,257</u>	<u>10,454</u>	<u>6,197</u>	Findings 1, 3
Total program costs	<u>\$ 268,212</u>	241,714	<u>\$ (26,498)</u>	
Less amount paid by the State		<u>(259,381)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (17,667)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2002, through June 30, 2006</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 195,467	\$ 153,691	\$ (41,776)	
Materials and supplies	152	152	—	
Contracted services	<u>412,592</u>	<u>397,012</u>	<u>(15,580)</u>	
Increased direct costs, G1 through G3	<u>608,211</u>	<u>550,855</u>	<u>(57,356)</u>	
Component activities G4 through G7:				
Salaries and benefits	13,151	5,833	(7,318)	
Materials and supplies	22	22	—	
Contracted services	<u>194,831</u>	<u>175,511</u>	<u>(19,320)</u>	
Increased direct costs, G4 through G7	<u>208,004</u>	<u>181,366</u>	<u>(26,638)</u>	
Total increased direct costs, G1 through G7	816,215	732,221	(83,994)	
Less base year direct costs adjusted by implicit price deflator	(45,603)	(45,603)	—	
Indirect costs	<u>7,572</u>	<u>31,177</u>	<u>23,605</u>	
Total program costs	<u>\$ 778,184</u>	717,795	<u>\$ (60,389)</u>	
Less amount paid by the State		<u>(769,353)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (51,558)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits

The district claimed unallowable salaries and benefits totaling \$49,094 for the audit period. The related indirect costs total \$2,265.

The district did not support \$63,712 of the costs claimed. The district claimed costs based on hours recorded on its consultant’s detail log report. We reviewed all district-provided documentation in support of the hours claimed, including log sheets, group activity sheets, calendars, and attorney invoices. The adjustment relates to hours that were not traceable to supporting documentation.

In addition, the district misstated productive hourly rates of claimed employees, resulting in \$14,618 in understated costs. In many instances, the district understated gross annual salaries when calculating the productive hourly rates.

The following table summarizes the unallowable salaries and benefits claimed:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Component activities G1-G3:					
Incorrect productive hourly rate	\$ 3,740	\$ 3,776	\$ 640	\$ 5,485	\$ 13,641
Unsupported hours	(8,374)	(15,416)	(12,016)	(19,611)	(55,417)
Total, components G1-G3	<u>(4,634)</u>	<u>(11,640)</u>	<u>(11,376)</u>	<u>(14,126)</u>	<u>(41,776)</u>
Component activities G4-G7:					
Incorrect productive hourly rate	975	—	—	2	977
Unsupported hours	(5,296)	—	(143)	(2,856)	(8,295)
Total, components G4-G7	<u>(4,321)</u>	<u>—</u>	<u>(143)</u>	<u>(2,854)</u>	<u>(7,318)</u>
Total direct costs	(8,955)	(11,640)	(11,519)	(16,980)	(49,094)
Indirect costs	(472)	(511)	(515)	(767)	(2,265)
Audit adjustment	<u>\$ (9,427)</u>	<u>\$ (12,151)</u>	<u>\$ (12,034)</u>	<u>\$ (17,747)</u>	<u>\$ (51,359)</u>

The program’s parameters and guidelines state, “Public school employers will be reimbursed for the ‘increased costs’ as a result of compliance with the mandate.”

The parameters and guidelines require the district to show the classification of the employees involved, amount of time spent, and their hourly rate.

Government Code section 17514 states that “costs mandated by the State” means any increased costs that a school district is required to incur. Section 17560 requires school districts to file an annual reimbursement claim that details the costs actually incurred for the fiscal year. Section 17561(d)(2) states that the SCO may audit the records of any school district to verify the actual amount of the mandated costs.

Recommendation

We recommend that the district ensure that all claimed costs are supported by appropriate documentation. We also recommend that the documentation identify the mandated functions performed, support the actual number of hours devoted to each function, and validate the productive hourly labor rates claimed.

District’s Response

The district agreed with the finding and recommendation.

**FINDING 2—
Unallowable contract
services costs**

The district claimed \$34,900 in ineligible contract services costs for the audit period.

These costs relate to attorney’s fees for attending conferences on grievance and personnel issues, attending board meetings, performing a market study, conducting ADA research, and other similar matters that are not identified as reimbursable in the parameters and guidelines.

The following table summarizes the contracted services audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Contractual services:					
Component activities G1-G3:					
Ineligible costs	\$ (986)	\$ —	\$ —	\$ (14,594)	\$ (15,580)
Component activities G4-G7:					
Ineligible costs	—	(12,974)	(5,225)	(1,121)	(19,320)
Audit adjustment	<u>\$ (986)</u>	<u>\$ (12,974)</u>	<u>\$ (5,225)</u>	<u>\$ (15,715)</u>	<u>\$ (34,900)</u>

The parameters and guidelines state that the claimant will be reimbursed for the “increased costs” incurred as a result of compliance with the mandate. Government Code section 17514 states that “costs mandated by the State” means any increased costs that a school district is required to incur.

Recommendation

We recommend that the district claim only those costs that are reimbursable under the mandated program.

District’s Response

The district agreed with the finding and recommendation.

**FINDING 3—
Unclaimed indirect
costs on contract
services**

The district understated indirect costs by \$25,870 for the audit period because it did not claim indirect costs on contract services.

The district omitted indirect costs on contract services because it followed the claiming instructions, which incorrectly guided the district to subtract contract services costs prior to computing indirect costs.

The following table summarizes the understated indirect costs:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Total allowable contract services	\$ 39,072	\$139,008	\$ 240,381	\$ 54,062	
Indirect cost rate	× 5.27%	× 4.39%	× 4.47%	× 4.52%	
Unclaimed indirect costs	\$ 2,059	\$ 6,102	\$ 10,745	\$ 6,964	\$ 25,870

Contract services were included in the base when developing the indirect cost rate. Therefore, it is appropriate to apply the indirect cost rate to contract services.

Recommendation

We recommend that the district apply its indirect cost rates to claimed costs that are identified as direct costs when it developed the indirect cost rates.

District’s Response

The district agreed with the finding and recommendation.

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



OXNARD SCHOOL DISTRICT

1051 SOUTH "A" STREET • OXNARD, CALIFORNIA 93030 • 805/487-3918

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

November 12, 2009

RE: Oxnard School District
Collective Bargaining Program
Audit of Annual Mandate Reimbursement Claim
Fiscal Years 2002/03 thru 2005/06

This letter responds to the draft audit report issued by the State Controllers Office (SCO) with regards to costs claimed by Oxnard Scholl District (District) for the legislatively mandates Collective bargaining Program 9Chapter 961, Statues 1975, and Chapter 1213, Statutes of 1991) for fiscal years 2002/03 through 2005/06. The District extends its gratitude to the SCO for its professional courtesy throughout the audit process and appreciates the opportunity to respond to the audit findings. Please note that the District reserves the right to raise other issues (if necessary) in subsequent proceedings related to the SCO's audit of these claims.

The District has no significant material challenges to the findings. It does regret that the documentation used to construct the claim, as well as the documentation provided in the course of this audit, was not sufficient to prevent the \$60,289 in unallowable costs. The District is pleased that the overall percentage of allowed costs is far greater than the statewide average of SCO audits on this program. The District is confident that the claims accurately represent incurred costs but will endeavor to address the issues raised by the SCO in this audit.

In conclusion, the District once again thanks the SCO for this opportunity to respond to the audit findings.

Sincerely,


Glenston Thompson,
Assistant Superintendent
Business & Fiscal Services

cc: Dr. Anthony Monreal, Superintendent
Lisa Cline, Director of Finance

**State Controller's Office
Division of Audits
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Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>