

RIO LINDA UNION ELEMENTARY SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2003, through June 30, 2007



JOHN CHIANG
California State Controller

March 2010



JOHN CHIANG
California State Controller

March 30, 2010

Michelle Rivas, President
Board of Trustees
Twin Rivers Unified School District
3222 Winona Way
North Highlands, CA 95660

Dear Ms. Rivas:

The State Controller's Office audited the costs claimed by the Rio Linda Union Elementary 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, 2003, through June 30, 2007. Effective July 1, 2008, Twin Rivers Joint Elementary School District merged with other school districts to form Twin Rivers Unified School District.

The district claimed \$595,995 for the mandated program. Our audit disclosed that \$273,857 is allowable and \$322,138 is unallowable. The costs are unallowable primarily because the district claimed unsupported costs, claimed costs that were ineligible for reimbursement, and underclaimed allowable costs. The State paid the district \$419,214. The amount paid exceeds allowable costs claimed by \$145,357.

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, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Frank Porter, Superintendent
Twin Rivers Unified School District
Rob Roach, Mandated Cost Analyst
Twin Rivers Unified School District
Kate Ingersoll, CPA, Director of Budgets
Twin Rivers Unified School District
Sacramento County Superintendent of Schools
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Rio Linda Union Elementary 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, 2003, through June 30, 2007.

The district claimed \$595,995 for the mandated program. Our audit disclosed that \$273,857 is allowable and \$322,138 is unallowable. The costs are unallowable because the district claimed unsupported costs, claimed costs that were ineligible for reimbursement, and underclaimed allowable costs. The State paid the district \$419,214. The amount paid exceeds allowable costs claimed by \$145,357.

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 [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, 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. 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, 2003, through June 30, 2007.

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, Rio Linda Union Elementary School District claimed \$595,995 for costs of the Collective Bargaining Program. Our audit disclosed that \$273,857 is allowable and \$322,138 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State paid the district \$136,623. Our audit disclosed that \$51,195 is allowable. The State will offset \$85,428 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2004-05 claim, the State paid the district \$143,631. Our audit disclosed that \$60,916 is allowable. The State will offset \$82,715 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2005-06 claim, the State paid the district \$114,905. Our audit disclosed that \$94,642 is allowable. The State will offset \$20,263 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2006-07 claim, the State paid the district \$24,055. Our audit disclosed that \$67,104 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$43,049, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on January 25, 2010. Kate Ingersoll, CPA, Director of Budget Services, responded by letter dated March 10, 2010 (Attachment), agreeing with the audit results except for Finding 1. The district also questioned our authority to audit the district's claim for FY 2003-04. This is addressed in this final report as "Other Issue." This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of Rio Linda Union Elementary 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
Chief, Division of Audits

March 30, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 90,749	\$ 23,486	\$ (67,263)	Finding 1
Contracted services	—	19,392	19,392	Finding 2
Total increased direct costs, G1 through G3	<u>90,749</u>	<u>42,878</u>	<u>(47,871)</u>	
Component activities G4 through G7:				
Salaries and benefits	<u>38,274</u>	<u>5,469</u>	<u>(32,805)</u>	Finding 1
Total increased direct costs, G4 through G7	<u>38,274</u>	<u>5,469</u>	<u>(32,805)</u>	
Total increased direct costs, G1 through G7	129,023	48,347	(80,676)	
Indirect costs	<u>7,600</u>	<u>2,848</u>	<u>(4,752)</u>	Finding 1, 3
Total program costs	<u>\$ 136,623</u>	51,195	<u>\$ (85,428)</u>	
Less amount paid by the State		(136,623)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (85,428)</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 75,166	\$ 28,379	\$ (46,787)	Finding 1
Materials and supplies	4,828	4,828	—	
Contracted services	<u>23,724</u>	<u>23,724</u>	<u>—</u>	
Total increased direct costs, G1 through G3	<u>103,718</u>	<u>56,931</u>	<u>(46,787)</u>	
Component activities G4 through G7:				
Salaries and benefits	<u>32,069</u>	—	<u>(32,069)</u>	Finding 1
Total increased direct costs, G4 through G7	<u>32,069</u>	—	<u>(32,069)</u>	
Total increased direct costs, G1 through G7	135,787	56,931	(78,856)	
Indirect costs	<u>7,844</u>	<u>3,985</u>	<u>(3,859)</u>	Finding 1, 3
Total program costs	<u>\$ 143,631</u>	60,916	<u>\$ (82,715)</u>	
Less amount paid by the State		(143,631)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (82,715)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 92,363	\$ 42,621	\$ (49,742)	Finding 1
Materials and supplies	616	616	—	
Contracted services	<u>34,104</u>	<u>34,104</u>	<u>—</u>	
Total increased direct costs, G1 through G3	<u>127,083</u>	<u>77,341</u>	<u>(49,742)</u>	
Component activities G4 through G7:				
Salaries and benefits	27,964	6,665	(21,299)	Finding 1
Contracted services	<u>4,387</u>	<u>4,387</u>	<u>—</u>	
Total increased direct costs, G4 through G7	<u>32,351</u>	<u>11,052</u>	<u>(21,299)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006 (continued)</u>				
Total increased direct costs, G1 through G7	159,434	88,393	(71,041)	
Indirect costs	8,551	6,249	(2,302)	Finding 1, 3
Total program costs	<u>\$ 167,985</u>	94,642	<u>\$ (73,343)</u>	
Less amount paid by the State		(114,905)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,263)</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Component activities G1 through G3:				
Salaries and benefits	\$ 93,598	\$ 28,922	\$ (64,676)	Finding 1
Materials and supplies	56	56	—	
Contracted services	22,911	21,669	(1,242)	Finding 2
Total increased direct costs, G1 through G3	<u>116,565</u>	<u>50,647</u>	<u>(65,918)</u>	
Component activities G4 through G7:				
Salaries and benefits	21,107	9,955	(11,152)	Finding 1
Contracted services	2,177	2,177	—	
Total increased direct costs, G4 through G7	<u>23,284</u>	<u>12,132</u>	<u>(11,152)</u>	
Total increased direct costs, G1 through G7	139,849	62,779	(77,070)	
Indirect costs	7,907	4,325	(3,582)	Finding 1, 3
Total program costs	<u>\$ 147,756</u>	67,104	<u>\$ (80,652)</u>	
Less amount paid by the State		(24,055)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 43,049</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Total increased direct costs, G1 through G7	\$ 564,093	\$ 256,450	\$ (307,643)	
Indirect costs	31,902	17,407	(14,495)	
Total program costs	<u>\$ 595,995</u>	273,857	<u>\$ (322,138)</u>	
Less amount paid by the State		(419,214)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (145,357)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries,
benefits, and related
indirect costs**

The district claimed \$471,290 in salaries and benefits for the audit period. We determined that \$145,497 is allowable and \$325,793 is unallowable. The costs were unallowable because reimbursable costs were not adequately supported (\$182,380) and the activities claimed were not identified in the parameters and guidelines as reimbursable costs (\$173,105). In addition, costs were underclaimed because the district did not claim reimbursement for allowable costs (\$29,692). The related unallowable indirect costs totaled \$21,662.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by reimbursable component:

Reimbursable Component	Amount Claimed	Amount Allowed	Audit Adjustment
G3–Cost of Negotiations	\$ 351,876	\$ 123,408	\$ (228,468)
G4–Impasse Proceedings	8,767	6,612	(2,155)
G5–CB Agreement Disclosure	6,061	2,249	(3,812)
G6–Contract Administration	104,586	13,228	(91,358)
Total salaries and benefits	471,290	145,497	(325,793)
Related indirect costs	31,516	9,854	(21,662)
Total	<u>\$ 502,806</u>	<u>\$ 155,351</u>	<u>\$ (347,455)</u>

Inadequate Supporting Documentation

Under each reimbursable component, certain costs are unallowable because they were not adequately supported. The paragraphs below explain our audit position on the documentation that the district provided to support its claims.

The district provided a “District Mandated Cost from Personnel–RLEA/CSEA Negotiations” summary for each fiscal year for each union, which describes the specific activities claimed. In addition, the district provided declarations for each employee for each fiscal year. The activities reported on the “District Mandated Cost from Personnel–RLEA/CSEA Negotiations” summary traced accurately to the employee declarations forms, which then traced accurately to the district’s claims.

However, we determined that the declarations and the “District Mandated Cost from Personnel–RLEA/CSEA Negotiations” summary are not adequate supporting documentation for claimed costs. The reasons for our determination are as follows.

District Mandated Cost from Personnel–RLEA/CSEA Negotiations

- These summary reports were prepared one month after the end of the fiscal year. The district did not provide any source documents that it used to prepare the summary reports corroborating the number of hours claimed. Accordingly, we determined that the hours claimed were based on estimates of the time that it took to perform mandated activities, in the absence of any other corroborating information (e.g., employee timesheets, sign-in sheets, or meeting minutes).

- Some activities claimed involved group meetings. We were unable to determine that every employee listed attended every meeting and/or for the entire time period claimed.

Employee Declarations

- The employee declarations provided by the district were prepared at least six months after the end of the fiscal year. In some cases, the declarations were for activities that occurred 18 months previously.
- The hours reported on the declarations were not corroborated by any documentation supporting the actual amount of time claimed.
- Approximately two-thirds of the declarations were not signed by the individual employees who were claimed to have performed the activities. Instead, the forms were signed by the district's personnel director.

Component G3—Cost of Negotiations

For the Cost of Negotiations cost component, the district claimed \$351,876 in salaries and benefits. We determined that \$123,408 is allowable and \$228,468 is unallowable. The costs are unallowable because the activities claimed were not identified in the parameters and guidelines as reimbursable costs (\$172,251) and reimbursable costs were not adequately supported (\$83,762). In addition, the district underclaimed costs totaling \$27,545 because it did not claim reimbursement for allowable costs (\$23,980) and did not include employee benefits in its productive hourly rate calculation for FY 2003-04 (\$3,565).

We have broken down the explanation of the audit findings by the various components under which the district claimed the cost of negotiations (at-table negotiations, negotiation planning, contract proposal costs, public hearing costs, and public distribution costs).

The following table summarizes the claimed, allowable, and unallowable costs for the various negotiation activities for which the district claimed costs:

<u>Activity</u>	<u>Claimed Costs</u>	<u>Allowable Costs</u>	<u>Unallowable Costs</u>
At-table negotiations	\$ 125,224	\$ 101,082	\$ (24,142)
Negotiation planning	174,414	22,326	(152,088)
Contract proposal	29,867	—	(29,867)
Public hearing	7,371	—	(7,371)
Public distribution	15,000	—	(15,000)
Totals	<u>\$ 351,876</u>	<u>\$ 123,408</u>	<u>\$ (228,468)</u>

At-Table Negotiations

The district claimed \$125,224 for at-table negotiations. We determined that \$30,413 was unallowable because the district overclaimed costs for substitutes (\$10,072), claimed costs for more than five representatives at negotiation sessions (\$9,590), overclaimed the number of hours for

negotiation sessions in fiscal year (FY) 2003-04 (\$2,064), and claimed costs for miscellaneous at-table negotiation costs that were not adequately supported (\$8,687). We also determined that costs totaling \$2,706 were underclaimed in FY 2006-07 because the district did not claim time spent by the note-taker during CSEA negotiation sessions (\$1,899) and underclaimed the number of hours spent in negotiation sessions during the year (\$807). The district also underclaimed costs by \$3,565 for FY 2003-04 because it did not claim allowable costs for employee benefits.

- **Substitute Costs Overclaimed**

The district claimed \$21,906 during the audit period for substitute costs. For each fiscal year, the district provided "Negotiation Information" sheets that provided the name of substitutes that filled in for union representatives during negotiation sessions and the amount paid to the substitutes. We reviewed the "Negotiation Information" worksheets, which supported substitute costs totaling \$11,834. Accordingly, we determined that the district overclaimed substitute costs totaling \$10,072 during the audit period.

- **More Than Five District Representatives Claimed per Negotiation Session**

The district claimed reimbursement for five employer representatives and an attorney to represent the district at all negotiation session (for a total of six district representatives). The parameters and guidelines specifically state that the "costs for a maximum of five public school employer representatives per unit, per negotiation session, will be reimbursed." Therefore, for each at-table negotiation sign-in sheet, we excluded the district representative with the lowest productive hourly rate, resulting in a \$9,590 adjustment.

- **Unreconciled Difference for At-Table Negotiation Sessions**

For FY 2003-04, the district could not support \$2,064 claimed for at-table negotiation sessions because the hours claimed did not agree with the at-table negotiation sign-in sheets. The district claimed reimbursement of 44 hours for each employee representative; however, our review of the negotiation sign-in sheets determined that 39 hours were spent by district employees for this activity.

- **Miscellaneous Unsupported At-Table Negotiation Costs**

The district claimed \$8,687 in unsupported miscellaneous at-table negotiation session costs incurred during FY 2005-06.

We determined that these costs were unallowable due to inadequate supporting documentation. During our review, we noted that:

- The hours claimed are supported by employee declarations that are not corroborated by supporting documentation, such as a time sheet, sign-in sheet, meeting minutes, or employee calendar.

- The declarations were signed nearly five months after the end of the fiscal year.
 - The declarations were not signed by the employee for whom the costs were claimed. Instead, all of the declarations were signed by the personnel director.
 - The time claimed does not appear to have occurred during a negotiation planning session where more than one member of the bargaining team gathered to discuss issues.
 - The time claimed appears to be based on estimates of time spent performing mandated activities.
- CSEA Note-Taker

For FY 2006-07, the district underclaimed costs by \$1,899 because it did not claim reimbursement for the note-taker for CSEA negotiation sessions.

- Underclaimed Hours for Negotiations

For FY 2006-07, the district underclaimed \$807 because it claimed 47.5 hours for each employee representative to attend at-table negotiation sessions; however, we traced 50.5 hours to the at-table negotiation session sign-in sheets for each employee.

- Unclaimed Employee Benefits

For FY 2003-04, the district did not apply a benefit rate into the productive hourly rate computation. The parameters and guidelines state: "If no itemization is submitted, 21% must be used for computation of claim costs." Therefore, we multiplied allowable salaries totaling \$16,977 for at-table negotiation sessions by 21%, resulting in additional allowable cost of \$3,565.

Negotiation Planning

The district claimed \$174,414 for negotiation planning. We determined that \$152,088 was unallowable. The costs are unallowable costs the district claimed costs for activities that were ineligible for reimbursement under the mandated program (\$99,309) and claimed costs that were not adequately supported (\$74,053). However, our review of attorney logs disclosed a number of documented negotiation planning sessions with district staff. Accordingly, allowable salary and benefit costs for these sessions totaled \$21,274.

- Unallowable Activities

We determined that the district claimed \$99,309 for various unallowable activities, including preparation for negotiation sessions and meetings, written and verbal board communications, development of various memorandum-of-understanding agreements (MOU), discussions with the RLEA union regarding counselor evaluation

documents, closed-session communications with the Board, discussions about employee benefit changes and reclassification of staff, monthly problem-solving meetings, and budget meetings.

We determined that the district claimed \$74,053 for the following potentially allowable activities that were not adequately supported:

\$28,089: District cabinet meetings
 \$27,197: Preparation for negotiations with district team
 \$6,085: Setting up negotiation sessions (organizational tasks, arrangements, dates, places, etc.)
 \$3,232: Negotiation of health and welfare benefits
 \$2,330: Setting up sessions, preparation of agendas
 \$2,212: Negotiation of effects of guidelines to implement No Child Left Behind
 \$1,892 Preparation of permanent file of CSEA/RLEA negotiations
 \$1,842: Preparation of information and meetings with CSEA regarding cafeteria positions
 \$1,174: Calling for certified/classified substitutes

- Review of Attorney Invoices

The parameters and guidelines allow reimbursement for employer representatives and employees participating in negotiation planning sessions. The term “session” implies a meeting or gathering of more than one person. An example of a negotiation planning session is team meetings prior to negotiation sessions to discuss the upcoming negotiation and strategize. During the course of audit fieldwork, we noted that the attorney logs provided support for correspondence and planning sessions that occurred between district employees and the attorneys. Based on this documentation, we determined that \$21,274 was allowable for salary and benefit costs (\$2,944 for FY 2003-04, \$2,167 for FY 2004-05, \$11,609 for FY 2005-06, and \$4,554 for FY 2006-07).

Contract Proposal Costs

The district claimed \$29,867 for contract proposal costs during the audit period (\$27,251 for district proposal costs and \$2,616 for representative proposal costs). We determined that all of the costs are unallowable because they were for activities that are not reimbursable under the mandated program.

The district claimed costs for the following activities:

- District Contract Proposal

The unallowable district contract proposal costs relate to preparation of Board responses to union proposals; preparation for union negotiation sessions; contract changes; “sunshining” union proposals; preparation and dissemination of negotiation updates and frequently asked questions with staff; reviewing, modifying, typing, and distributing the tentative contract agreement for signing; and preparation of agreement for Board approval.

The representatives' contract proposal costs related to preparation for, and actual sunshining of, the union proposal; preparation of information for the Board; and preparation of the Board's response to the union proposal.

The parameters and guidelines allow reimbursement for "receipt of exclusive representatives' initial contract proposal" and "development and presentation of the initial district contract proposal." The activities claimed do not appear to fit within the criteria outlined in the parameters and guidelines.

Public Hearing Costs

The district claimed \$7,371 for public hearing costs during the audit period. We determined that all of the costs are unallowable because they were for activities that are not reimbursable under the mandated program (\$6,849) and were allowable costs that are not adequately supported (\$522).

The district claimed the following unallowable costs:

\$3,956: Sunshining CSEA/RLEA proposal
\$2,893: Prepare Board response to CSEA proposal

The parameters and guidelines allow reimbursement for the holding of public hearings. The two activities claimed do not appear to fit the criteria outlined in the parameters and guidelines. If the activity of "sunshining CSEA/RLEA proposal" involved a public hearing, no documentation was provided indicating that this information was provided at a public hearing.

The district also claimed \$522 to prepare materials for the Board agenda at a public hearing. However, the time claimed for this activity was based on estimates and was not supported by any corroborating documentation.

Public Distribution of the Proposed and Final Contract

The district claimed \$14,500 for public distribution of the final contract and \$500 for public distribution of the proposed contract during the audit period. We determined that all of the costs are unallowable because they were for unallowable activities (\$14,500) or were not adequately supported (\$500).

The district claimed costs for the following unallowable activities:

\$4,641: Contract changes
\$4,216: Tentative agreement
\$1,454: Prepare addendum to three-year contract
\$2,891: Negotiation update—Prepare and disseminate communications with employees and team
\$1,298: Prepare new three-year contract

The parameters and guidelines allow reimbursement for “reproduction and distribution of the employer’s proposed contract to the public” and “reproduction and distribution of the final contract agreement.” The activities claimed do not appear to fit the criteria outlined in the parameters and guidelines.

The district also claimed \$500 for training on the new contract. However, the costs claimed were based on estimates and no corroborating evidence was provided indicating that the training occurred.

Component G4–Impasse Proceedings

For the Impasse Proceedings cost component, the district claimed \$8,767 in salaries and benefits. We determined that \$6,612 is allowable and \$2,155 is unallowable. The unallowable costs occurred because certain activities claimed were not identified in the parameters and guidelines as reimbursable costs (\$4,301). In addition, we determined that the district underclaimed costs totaling \$2,146 because it did not claim costs for substitutes in FY 2003-04 (\$1,065), did not claim costs for a note-taker at a mediation session in FY 2006-07 (\$132), and did not include benefits in its productive hourly rate calculation for FY 2003-04 (\$949).

- **Mediation Preparation Costs**

In FY 2003-04, the district claimed \$3,355 in preparation costs for the April 30 and June 1, 2004 mediation sessions. The time claimed was spent analyzing, revising, scheduling, arranging, and preparing proposals and responses. However, the parameters and guidelines do not allow reimbursement for mediation preparation costs.

- **More Than Five Representatives Claimed at Each Mediation Session**

At all three of the mediation sessions during the audit period, the district claimed reimbursement for five district employees and one attorney. The parameters and guidelines specifically state that the district will be reimbursed for a maximum of five employer representatives. Therefore, we excluded the district employee with the lowest salary, resulting in a \$946 adjustment.

- **Substitute Costs**

In FY 2003-04, the district did not claim reimbursement for any substitute costs. The parameters and guidelines allow reimbursement for the cost of substitutes for the release time of exclusive bargaining unit representatives during impasse proceedings. Based on the “Negotiation Information” log maintained for each mediation session, the district paid \$1,065 in substitute costs, which is an allowable cost.

- CSEA Note-Taker

In FY 2006-07, the district did not claim reimbursement for the presence of a note-taker at the June 7, 2007 CSEA mediation session. We determined that \$132 was allowable.

- Productive Hourly Rates

As noted in the Cost of Negotiations cost component, the district did not include a benefit rate into the productive hourly rate computation in FY 2003-04. Therefore, we multiplied allowable salaries of \$4,520 by 21%, resulting in additional allowable costs of \$949.

Component G5—Collective Bargaining Agreement Disclosure

For the Collective Bargaining Agreement Disclosure cost component, the district claimed \$6,061 in salaries and benefits. We determined that \$2,249 is allowable and \$3,812 is unallowable. The unallowable costs occurred because the reimbursable costs were not adequately supported (\$3,812).

Inadequate Supporting Documentation

The district claimed 56 hours in FY 2004-05 and 14 hours in FY 2005-06 for the business services director to prepare collective bargaining agreement public disclosure forms. While we concur that the activity of preparing the forms was performed, we determined that the supporting documentation does not adequately support claimed costs. The district provided a “Mandate Activity Log” to support the costs claimed for both fiscal years. The log for FY 2004-05 was prepared and signed in January 2006, seven months after the end of the fiscal year. The district did not provide any corroborating evidence supporting how the hours claimed were derived or when the activities were performed. Therefore, it appears that the time claimed is based on estimates.

While the log for FY 2006-07 was prepared in December 2007—six months after the end of the fiscal year—the district was able to provide an employee calendar supporting the time spent on mandated activities.

Component G6—Contract Administration

For the Contract Administration cost component, the district claimed \$104,586 in salaries and benefits. We determined that \$13,228 is allowable and \$91,358 is unallowable. The unallowable costs occurred because they were not adequately supported.

Inadequate Support

The documentation provided by the district to support contract administration costs is the same as that discussed at the beginning of this finding. We also have an acknowledgment from district management that two claimed grievance cases did not involve a violation of the district’s contract with the union, as the issues involved were employment related.

Activity	Fiscal Year				Total
	2003-04	2004-05	2005-06	2006-07	
In-service training	\$ (125)	\$(10,674)	\$(12,864)	\$ (8,446)	\$(32,109)
Pre-grievance resolution issues and meetings	(19,662)	(18,353)	(7,544)	(2,205)	(47,764)
Grievance: Case No. 1	(5,890)	—	—	—	(5,890)
Grievance: Case No. 2	(5,016)	—	—	—	(5,016)
Miscellaneous grievance costs	—	—	(121)	(458)	(579)
Total	\$(30,693)	\$(29,027)	\$(20,529)	\$(11,109)	\$(91,358)

Summary

The following table summarizes the audit adjustments for salaries and benefits and related indirect costs by cost element and fiscal year:

Cost Element	Fiscal Year				Total
	2003-04	2004-05	2005-06	2006-07	
Salaries and benefits	\$(100,068)	\$(78,856)	\$(71,041)	\$(75,828)	\$(325,793)
Indirect cost rate	× 5.89%	× 7.00%	× 7.07%	× 6.89%	
Related indirect costs	(5,894)	(5,520)	(5,023)	(5,225)	(21,662)
Audit adjustment (salaries and benefits + indirect costs)	\$(105,962)	\$(84,376)	\$(76,064)	\$(81,053)	\$(347,455)

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs that are supported by appropriate source documentation. Documentation should identify the mandated functions performed and support the actual number of hours devoted to each activity.

District’s Response

The district disagrees with a number of items that were deemed as unallowable activities by the SCO:

- Written and verbal board communications – During the negotiations process the district commonly receives direction for the School Board on how to proceed in the negotiations. This is done since the School Board is the entity that ratifies any agreement that comes about from negotiations. Therefore the district employee cost of such communications should be reimbursable.
- Development of various memorandum-of-understanding agreements (MOU) – The development of an MOU is a common practice in the collective bargaining process. Rather than opening an entire section of a contract, the district and union may agree to an MOU to save time and cost. The costs should be allowed since

the subject of the MOU is a component of the contract and as such, falls under the Rodda Act provision of “meeting and negotiating in good faith” (Government Code 3540.1 (h)).

- Discussions with the RLEA union regarding counselor evaluation documents – The evaluation process is a component of the certificated contract, therefore it is not unreasonable for evaluation documents to be a negotiation item.
- Discussions about employee benefit changes – Benefits is an item contained in employee contracts and part of the employees compensation, any changes to the benefits are subject to negotiation.
- Reclassification of staff – Any change in work conditions and job responsibilities are subject to negotiations.

All of the items listed above are subject to the scope and representation within Government Code 3543.2 (a) and subject to negotiations (The scope of representation shall be limited to matters relating to wages, hours of employment, and other terms and conditions of employment).

The district agrees that monthly problem-solving and budget meetings are not negotiations related and should be disallowed.

Negotiation Preparation Sessions

In the draft audit finding the SCO determined the following:

“The parameters and guidelines allow for employer representatives and employees participating in negotiation planning sessions. The term “sessions” implies a meeting or gathering of more than one person. An example of a negotiation planning session is team meeting prior to negotiation session to discuss the upcoming negotiation and strategize. During the course of audit fieldwork, we noted the attorney logs provided support for correspondence and planning session that occurred between district employees and the attorneys. Based on this documentation, we determined that \$21,274 was allowable for salary and benefit costs (\$2,944 for FY 2003-04, \$2,167 for FY 2004-05, \$11,609 for FY 2005-06, and \$4,554 for FY 2006-07).

While the district extends its’ thanks to the SCO for allowing the \$21,274 contained in the attorney invoices and readily accepts the allowance, it must however strongly disagree with the SCO’s interpretation of the word “session” and the findings associated with the interpretation.

The P’s & G’s component (3 (b)) – Cost of Negotiations states:

“Show the costs of salaries and benefits for employer representatives and employees participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed. Salaries and benefits must be shown as described in Item H3.”

The SCO had decided to interpret the word “sessions” as to imply more than one employee at a time and therefore individual preparation time is not reimbursable. In other words if a district employee from the

business department spends time determining the cost of a proposed pay increase alone then the costs are not reimbursable. However if a second employee is assisting in determining the cost then the preparation costs are allowable.

The District interprets the word “sessions” to mean that there are more than one negotiation preparation meetings during the negotiation cycle with the bargaining unit. The district feels that all costs associated with the preparation of negotiations are a reimbursable activity regardless of the number of employees present.

As such any findings disallowing individual preparation time should be reinstated.

SCO’s Comment

The finding and recommendation remain unchanged.

The district believes that the activities of communicating with the School Board, developing MOUs, discussing evaluation documents and employee benefit changes, and reclassifying staff should be allowable activities under the mandated program. The district also disagrees with our interpretation of the allowable activity of negotiation planning sessions.

Unallowable Activities

The activities disputed by the district were claimed under the Negotiations cost component. For this cost component, the parameters and guidelines allow reimbursement for receipt of the exclusive representative’s initial contract proposal, holding of public hearings, providing a reasonable number of copies of the employer’s proposed contract to the public, development and presentation of the initial district contract proposal, negotiation of the contract, and reproduction and distribution of the final contract agreement.

- **Written and verbal school board communications:** The district claimed \$6,133 during the audit period for time spent by certain members of the district’s negotiation team to meet with the school board in closed sessions concerning the ongoing negotiations. The costs were claimed as negotiation planning sessions. While these costs may qualify as negotiation planning sessions, the time spent was not adequately documented. The district provided lumped totals of hours spent by district employees for each year of the audit period. Dates of school board meetings were provided only for closed sessions related to discussions for one of the two employee unions. Based on the information provided, we were unable to determine how the total numbers of hours spent by employees were determined or if the employees attended every school board meeting.
- **Development of various MOU agreements:** The district claimed \$3,861 for this activity during the audit period and argues that an MOU is a component of the overall contract between the union and the district. Therefore, the district believes that time spent developing an MOU agreement qualifies as time spent on negotiations and

claimed the costs as negotiation planning sessions. The documentation provided by the district claimed time for research, reviewing data, preparing information, and analyzing proposals. However, no support was provided for the time claimed for district employees or the dates that negotiation planning sessions took place. If an MOU agreement is a component of a union contract, we assume that the actual negotiation of MOUs took place during the district's regular negotiation sessions with the union. Time spent by members of the negotiation team together and/or with the district's legal counsel in a planning session would be reimbursable (analyzing proposals). However, time spent by individual employees to perform research, review data, and prepare information is not reimbursable under this mandated program.

- Discussions with RLEA for counselor evaluation documents: The district claimed \$2,341 for a meeting that occurred on October 27, 2003, for creating, preparing, and formatting information and communication with the RLEA union regarding counselor evaluation documentation. The costs were claimed as a negotiation planning session and the district argues that since the evaluation process is part of a union contract, discussions regarding this issue qualify as negotiated items. Time was claimed for five district employees who were not part of the district's negotiating team and were not bargaining unit representatives. These costs are unallowable. However, 24 and 16 hours were claimed, respectively, for two members of the district's negotiation team. The activities of creating, preparing, formatting, and communicating information relative to a contract under negotiation are not reimbursable activities.
- Employee benefit changes: The district claimed \$1,682 for time spent by two members of the district's negotiation team on this activity in FY 2003-04 to research, analyze, and communicate changes in employee benefits to the RLEA union and affected employees. The district believes that since employee benefits are part of employee compensation and, therefore, part of a union contract, changes to benefits are subject to negotiation. We concur that changes to benefits are subject to negotiation. However, the time was claimed for communicating changes in benefits instead of negotiating changes in benefits. Communicating changes in employee compensation is not a reimbursable activity under the mandated program.
- Reclassification of staff: The district claimed \$1,098 in FY 2004-05 for two members of the district's negotiation team to meet with the CSEA union regarding reclassifying a Secretary I position. The district believes that changes in work conditions and job responsibilities are subject to negotiations. We concur that these items are subject to negotiations. However, the time appears to be claimed for the normal business activity of communicating an employee reclassification to the union, not negotiating a reclassification. In addition, no support was provided indicating when or if such a meeting took place.

Negotiation Preparation Sessions

The district believes that our interpretation of what constitutes allowable costs under the Negotiations cost component – negotiation planning sessions – is in error. The district believes that all costs associated with the *preparation* [emphasis added] for negotiations are reimbursable. The district correctly quotes parameters and guidelines section G.3.b regarding negotiation planning sessions.

Parameters and guidelines section G.3. (Negotiations), does not contain any mention of negotiation preparation as a reimbursable activity. 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 since 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 parameters and guidelines section G.3.b. is not defined. However, the word “session” implies a meeting or gathering. Webster’s New World Dictionary defines the word “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 since the term “preparation” is absent from the parameters and guidelines for this component and the common definition of the word “session” refers to a group activity.

We also question the example that the district provided in its response. The district states “if a district employee from the business department spends time determining the cost of a proposed pay increase alone then the costs are not reimbursable. However, if a second employee is assisting in determining the cost, then preparation costs are allowable.” The example is incorrect because while the time spent analyzing the cost of a proposed pay increase may be a negotiation preparation activity, it is not a negotiation planning activity. We conclude that a negotiation planning activity is one in which members of the district’s negotiation team and/or the district’s legal counsel meet together to discuss an upcoming negotiation session and strategize. However, the costs incurred in the district’s example would only be allowable if they are incurred for the development of the district’s initial contract proposal to the union, regardless of the number of employees involved.

**FINDING 2—
Misstated contract
service costs**

The district claimed \$87,303 for contract services for the audit period. We determined that contract services totaling \$105,453 were allowable. The audit adjustment occurred because the district overlooked allowable attorney fees (\$19,392) and double-claimed costs (\$1,242).

<u>Reimbursable Component</u>	<u>Amount Claimed</u>	<u>Amount Allowed</u>	<u>Audit Adjustment</u>
G3–Cost of Negotiations	\$ 80,739	\$ 98,889	\$ 18,150
G4–Impasse Proceedings	540	540	—
G6–Contract Administration	6,024	6,024	—
Total contract services	<u>\$ 87,303</u>	<u>\$105,453</u>	<u>\$ 18,150</u>

Component G3–Cost of Negotiations

For the Cost of Negotiations cost component, the district claimed \$80,739 in contract services. We determined that contract services totaling \$98,889 were allowable. We made the audit adjustment because the district overlooked allowable costs incurred during FY 2003-04 for attorney fees (\$19,392) and double-claimed costs in FY 2006-07 that were incurred in FY 2005-06 (\$1,242).

Unclaimed Attorney Fees

The district did not claim reimbursement for attorney fees incurred during FY 2003-04 for representing the district at RLEA and CSEA negotiation sessions. During audit fieldwork, the district provided additional attorney invoices totaling \$22,980 in attorney fees. We determined that attorney fees totaling \$19,392 are allowable and \$3,588 are unallowable. Some fees were unallowable because they were billed at a rate of \$160 per hour; the parameters and guidelines allow a maximum rate of \$135 per hour.

Double-Claimed Costs

The district claimed reimbursement of \$1,242 for membership fees paid to the School Employers Association of California in FY 2005-06 and FY 2006-07. However, the district provided only one invoice dated June 21, 2006, to support the costs claimed. As no invoice was provided supporting costs for FY 2006-07, we concluded that the costs were claimed twice in error.

Summary

The following table summarizes the audit adjustment for contract services by fiscal year:

<u>Cost Element</u>	<u>Fiscal Year</u>				<u>Total</u>
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	
Contract services:					
Allowable costs	\$ 19,392	\$ 23,724	\$ 38,491	\$ 23,846	\$ 105,453
Costs claimed	—	(23,724)	(38,491)	(25,088)	(87,303)
Audit adjustment	<u>\$ 19,392</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,242)</u>	<u>\$ 18,150</u>

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs that are properly supported.

District’s Response

The district agrees with these findings and thanks the SCO for the allowance.

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

The district did not apply indirect costs to contract services in its mandate reimbursement claims. The State Controller’s *Mandated Cost Manual for School Districts* for FY 2003-04, FY 2004-05, FY 2005-06, and FY 2006-07 states that “School districts and county superintendents of schools may use the indirect cost rate approved by the California Department of Education based on the J-380 Expenditure Data applicable to the fiscal year of the claim.” While SCO claim form CB-1 (Collective Bargaining Claim Summary) instructs claimants to subtract contract services before applying the applicable indirect cost rate, the amount of indirect costs that claimants are eligible to claim is based on all direct costs, including contract services. After applying the applicable indirect cost rates to allowable contract services costs, we determined that additional indirect costs totaling \$7,167 are allowable.

The following table summarizes the audit adjustment based on allowable contract services costs for each fiscal year of the audit period:

<u>Fiscal Year</u>	<u>Contract Services Claimed</u>	<u>J-380 Rate</u>	<u>Underclaimed Indirect Costs</u>
2003-04	\$ 19,392	5.89%	\$ 1,142
2004-05	23,724	7.00%	1,661
2005-06	38,491	7.07%	2,721
2006-07	23,846	6.89%	1,643
	<u>\$ 105,453</u>		<u>\$ 7,167</u>

Recommendation

We recommend the district establish and implement procedures necessary to ensure that the indirect cost rate calculations are consistent with the methodology outlined in the State Controller’s *Mandated Cost Manual for School Districts*.

District’s Response

The district would like to acknowledge and thank the SCO auditors who have allowed costs that were not originally included in claims, for this the district is very thankful.

The district would also like to make the statement that many processes have changed and future claims will be more thorough and have better documentation.

**OTHER ISSUE—
SCO authority to audit
FY 2003-04**

The district's response included comments regarding the SCO's authority to audit costs claimed for FY 2003-04. The district's response and SCO's comment are as follows.

District's Response

The district disputes any audit findings for the 2003/2004 fiscal year on the grounds that the 2003/2004 claims were out of the audit time period statute on the date the audit was initiated on April 2, 2008.

Government Code Section 17558.5(a) states:

“A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. **However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.**”

The district interprets government code 17558.5 (a) as meaning once an appropriation for any mandate claim is made with in the annual budget (no matter how small) the audit clock starts ticking.

The district contends that for the 2003/04 fiscal year the State of California made a \$1,000 allocation for disbursement for the Collective Bargaining claim in its final budget (Item 6110-295-0001, (17) 98.01.096.175).

The State Controller's Office (SCO) interprets government code 17558.5 (a) as the audit clock starts once a payment is made. The SCO does this by focusing on the “or no payment is made” section of the code but ignores the “however, if no funds are appropriated” section of government code 17558.5.

It is the districts contention that all costs for the 2003/04 fiscal year (\$136,623) are out of the audit statute and any findings from this audit should be thrown out.

SCO's Comment

The audit scope remains unchanged. The district contends that the audit of the district's claim for FY 2003-04 is invalid because the time within which to initiate an audit had expired when the audit was initiated on April 2, 2008. The district's response goes on to correctly quote the language of Government Code section 17558.5(a). This is the statute governing the tolling of the time period for the initiation of mandated claim audits by SCO.

We disagree with the district's conclusion. The district's Collective Bargaining Program claim for FY 2003-04 was filed with SCO on January 15, 2005, in the amount of \$136,623. For FY 2003-04, the initial payment of \$136,623 was made to the district on September 1, 2006. Therefore, the tolling of the audit window begins as of the September 1, 2006 payment date. Accordingly, the audit was initiated within the three-year statute of limitations.

The district believes that SCO is focusing on the “or no payment is made” section of the code but ignores the “however, if no funds are appropriated” section of Government Code section 17558.5(a). The district ignores the “no payment is made” section of Government Code section 17558.5(a).

The language of the statute clearly requires a two-part test. The first part of the test is whether or not funds were appropriated for the mandated program. The second part of the test is whether or not a payment was made to the claimant for the program for the fiscal year for which the claim is filed. Once both tests are satisfied, then the tolling of the audit window begins and will start either on the date that the claim is filed or last amended, or on the initial payment date (provided that the initial payment date is later than the claim filing/last amendment date). In this case, although funds were appropriated for FY 2003-04 claims, no payment was made to the claimant for the program for the fiscal year for which the claim was filed until September 1, 2006.

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

TwinRivers

UNIFIED SCHOOL DISTRICT

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March 10, 2010

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

Re: Rio Linda Union School District
Chapter 961, Statutes of 1975
Collective Bargaining
Fiscal Years 2003/2004, 2004/2005, 2005/2006 and 2006/2007

Dear Mr. Spano:

This letter is in response of Rio Linda Union School District to the letter dated on January 29, 2010, from Jeffery Brownfield and received by the District on February 2, 2010, which transmits a draft copy of the audit report of the District's Collective Bargaining annual reimbursement claims for the period of July 1, 2003 through June 30, 2007.

Please note that as of July 1, 2008 the Rio Linda Union School District ceased to exist and merged along with three other school districts into the new Twin Rivers Unified School District, hence the district response will come from Twin Rivers Unified School District staff.

Audit Statute – 2003/2004 Budget Allocation of \$1,000 for Disbursement

The district disputes any audit findings for the 2003/2004 fiscal year on the grounds that the 2003/2004 claims were out of the audit time period statute on the date the audit was initiated on April 2, 2008.

Government Code Section 17558.5(a) states:

"A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. **However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim.**"

The district interprets government code 17558.5 (a) as meaning once an appropriation for any mandate claim is made with in the annual budget (no matter how small) the audit clock starts ticking.

The district contends that for the 2003/04 fiscal year the State of California made a \$1,000 allocation for disbursement for the Collective Bargaining claim in its final budget

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(Item 6110-295-0001, (17) 98.01.096.175).

The State Controllers Office (SCO) interprets government code 17558.5 (a) as the audit clock starts once a payment is made. The SCO does this by focusing on the "or no payment is made" section of the code but ignores the "however, if no funds are appropriated" section of government code 17558.5.

It is the districts contention that all costs for the 2003/04 fiscal year (\$136,623) are out of the audit statute and any findings from this audit should be thrown out.

Finding #1 – Unallowable salaries, benefits and related indirect costs

The district disagrees with a number of items that were deemed as unallowable activities by the SCO:

- Written and verbal board communications - During the negotiations process the district commonly receives direction for the School Board on how to proceed in the negotiations. This is done since the School Board is the entity that ratifies any agreement that comes about from negotiations. Therefore the district employee cost of such communications should be reimbursable.
- Development of various memorandum-of-understanding agreements (MOU) – The development of an MOU is a common practice in the collective bargaining process. Rather than opening an entire section of a contract, the district and union may agree to an MOU to save time and cost. The costs should be allowed since the subject of the MOU is a component of the contract and as such, falls under the Rodda Act provision of "meeting and negotiating in good faith" (Government Code 3540.1 (h)).
- Discussions with the RLEA union regarding counselor evaluation documents – The evaluation process is a component of the certificated contract, therefore it is not unreasonable for evaluation documents to be a negotiation item.
- Discussions about employee benefit changes – Benefits is an item contained in employee contracts and part of the employees compensation, any changes to the benefits are subject to negotiation.
- Reclassification of staff – Any change in work conditions and job responsibilities are subject to negotiations.

All of the items listed above are subject to the scope of representation within Government Code 3543.2 (a) and subject to negotiations (The scope of representation shall be limited to matters relating to wages, hours of employment, and other terms and conditions of employment).

The district agrees that monthly problem-solving and budget meetings are not negotiations related and should be disallowed.

Negotiation Preparation Sessions

In the draft audit finding the SCO determined the following:

"The parameters and guidelines allow for employer representatives and employees participating in negotiation planning sessions. The term "sessions" implies a meeting or gathering of more than one person. An example of a negotiation planning session is team meeting prior to negotiation sessions to discuss the upcoming negotiation and strategize. During the course of audit fieldwork, we noted the attorney logs provided support for correspondence and planning sessions that occurred between district employees and the attorneys. Based on this documentation, we determined that \$21,274 was allowable for salary and benefit costs (\$2,944 for FY 2003-04, \$2,167 for FY 2004-05, \$11,609 for FY 2005-06, and \$4,554 for FY 2006-07).

While the district extends its' thanks to the SCO for allowing the \$21,274 contained in the attorney

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RLUSD Collective Bargaining Program
March 10, 2010
Page 3 of 3

invoices and readily accepts the allowance, it must however strongly disagree with the SCO's interpretation of the word "sessions" and the findings associated with the interpretation.

The P's & G's component (3 (b)) - Cost of Negotiations states:

"Show the costs of salaries and benefits for employer representatives and employees participating in negotiation planning sessions. Contracted services for employer representatives will be reimbursed. Salaries and benefits must be shown as described in Item H3."

The SCO had decided to interpret the word "sessions" as to imply more than one employee at a time and therefore individual preparation time is not reimbursable. In other words if a district employee from the business department spends time determining the cost of a proposed pay increase alone then the costs are not reimbursable. However if a second employee is assisting in determining the cost then the preparation costs are allowable.

The District interprets the word "sessions" to mean that there are more than one negotiation preparation meetings during the negotiation cycle with the bargaining unit. The district feels that all costs associated with the preparation for negotiations are a reimbursable activity regardless of the number of employees present.

As such any findings disallowing individual preparation time should be reinstated.

Finding #2 – Misstated contract service costs

During the audit period the district claimed \$87,303 for contracted services. The SCO determined that the district overlooked \$18,150 in allowable attorney fees and made an audit adjustment to allow the fees to be claimed.

The district agrees with these findings and thanks the SCO for the allowance.

Finding #3 – Under-claimed indirect costs

During the audit period the district did not apply any indirect costs to contract services in the collective bargaining claims. After applying the district's indirect cost rate to the contract services claimed, the SCO found an additional \$7,167 in costs and made an audit adjustment to allow the indirect costs to be claimed.

The district would like to acknowledge and thank the SCO auditors who have allowed costs that were not originally included in claims, for this the district is very thankful.

The district would also like to make the statement that many processes have changed and future claims will be more thorough and have better documentation.

Sincerely,

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

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