

CENTINELA VALLEY UNION HIGH SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2000, through June 30, 2003



STEVE WESTLY
California State Controller

October 2004



STEVE WESTLY
California State Controller

October 28, 2004

Cheryl White, Ed.D., Superintendent
Centinela Valley Union High School District
14901 S. Inglewood Avenue
Lawndale, CA 90260

Dear Dr. White:

The State Controller's Office audited the claims filed by the Centinela Valley Union High School District for costs of 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 \$791,818 for the mandated program. Our audit disclosed that \$675,630 is allowable and \$116,188 is unallowable. The unallowable costs occurred because the district claimed unsupported and ineligible costs, and did not apply the Winton Act district costs offset. The State paid the district \$170,544. The State will pay allowable costs claimed that exceed the amount paid, totaling \$505,086, contingent upon available appropriations.

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

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: (See page 2)

cc: Jose Fernandez

Administrator of Business Services

Centinela Valley Union High School District

Darline P. Robles, Ph.D., County Superintendent of Schools

Los Angeles County Office of Education

Scott Hannan, Director

School Fiscal Services Division

California Department of Education

Arlene Matsuura, Educational Consultant

School Fiscal Services Division

California Department of Education

Jeannie Oropeza, Program Budget Manager

Education Systems Unit

Department of Finance

Charles Pillsbury, School Apportionment Specialist

Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	7

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Centinela Valley Union High School District for costs of 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 last day of fieldwork was July 8, 2004.

The district claimed \$791,818 for the mandated program. The audit disclosed that \$675,630 is allowable and \$116,188 is unallowable. The unallowable costs occurred because the district claimed unsupported and ineligible costs, and did not apply the Winton Act direct costs offset. The State paid the district \$170,544. The State will pay allowable costs claimed that exceed the amount paid, totaling \$505,086, contingent upon available appropriations.

Background

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

On July 17, 1978, the Board of Control (now the Commission on State Mandates [COSM]) determined that the Rodda Act imposed a reimbursable 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, COSM 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

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on October 22, 1980, and last amended it 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, not funded by another source, and 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* Section 17558.5. We did not audit the district's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed 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.

Conclusion

The 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, Centinela Valley Union High School District claimed \$791,818 for Collective Bargaining Program costs. Our audit disclosed that \$675,630 is allowable and \$116,188 is unallowable.

For fiscal year (FY) 2000-01, the State paid the district \$120,544. Our audit disclosed that \$186,134 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$65,590, contingent upon available appropriations.

For FY 2001-02, the State paid the district \$50,000. Our audit disclosed that \$229,169 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$179,169, contingent upon available appropriations.

For FY 2002-03, the district received no payment from the State. Our audit disclosed that \$260,327 is allowable, and this amount will be paid by the State based on available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on September 20, 2004. Rose Ella Kerns, District Accountant, responded through a telephone conversation on October 14, 2004, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Centinela Valley Union High School District, the Los Angeles County Office of Education, the California Department of Education, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Components G1 through G3:				
Salaries and benefits	\$ 14,636	\$ 14,636	\$ —	
Materials and supplies	2,377	2,377	—	
Travel	721	721	—	
Contracted services	<u>142,988</u>	<u>130,635</u>	<u>(12,353)</u>	Finding 3
Subtotals	160,722	148,369	(12,353)	
Less adjusted base-year direct costs	<u>—</u>	<u>(8,290)</u>	<u>(8,290)</u>	Finding 2
Subtotals	160,722	140,079	(20,643)	
Adjustment to reduce balance to zero	<u>—</u>	<u>—</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>160,722</u>	<u>140,079</u>	<u>(20,643)</u>	
Components G4 through G7:				
Salaries and benefits	862	862	—	
Materials and supplies	761	761	—	
Travel	115	115	—	
Contracted services	<u>43,295</u>	<u>43,295</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>45,033</u>	<u>45,033</u>	<u>—</u>	
Total increased direct costs, G1 through G7	205,755	185,112	(20,643)	
Indirect costs	<u>1,780</u>	<u>1,022</u>	<u>(758)</u>	Finding 2
Total costs	<u>\$ 207,535</u>	186,134	<u>\$ (21,401)</u>	
Less amount paid by the State		<u>(120,544)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 65,590</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Components G1 through G3:				
Salaries and benefits	\$ 20,934	\$ 20,934	\$ —	
Materials and supplies	80	80	—	
Travel	—	—	—	
Contracted services	<u>155,900</u>	<u>155,900</u>	<u>—</u>	
Subtotals	176,914	176,914	—	
Less adjusted base-year direct costs	<u>—</u>	<u>(8,408)</u>	<u>(8,408)</u>	Finding 2
Subtotals	176,914	168,506	(8,408)	
Adjustment to reduce balance to zero	<u>—</u>	<u>—</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>176,914</u>	<u>168,506</u>	<u>(8,408)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002 (continued)</u>				
Components G4 through G7:				
Salaries and benefits	42,830	1,223	(41,607)	Finding 1
Materials and supplies	—	—	—	
Travel	—	—	—	
Contracted services	<u>58,465</u>	<u>58,465</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>101,295</u>	<u>59,688</u>	<u>(41,607)</u>	
Total increased direct costs, G1 through G7	278,209	228,194	(50,015)	
Indirect costs	<u>4,501</u>	<u>975</u>	<u>(3,526)</u>	Findings 1, 2
Total costs	<u>\$ 282,710</u>	229,169	<u>\$ (53,541)</u>	
Less amount paid by the State		<u>(50,000)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 179,169</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Components G1 through G3:				
Salaries and benefits	\$ 34,374	\$ 28,009	\$ (6,365)	Finding 1
Materials and supplies	100	100	—	
Travel	—	—	—	
Contracted services	<u>200,631</u>	<u>196,485</u>	<u>(4,146)</u>	Finding 3
Subtotals	235,105	224,594	(10,511)	
Less adjusted base-year direct costs	<u>—</u>	<u>(8,596)</u>	<u>(8,596)</u>	Finding 2
Subtotals	235,105	215,998	(19,107)	
Adjustment to reduce balance to zero	<u>—</u>	<u>—</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>235,105</u>	<u>215,998</u>	<u>(19,107)</u>	
Components G4 through G7:				
Salaries and benefits	25,691	5,204	(20,487)	Finding 1
Materials and supplies	30	30	—	
Travel	—	—	—	
Contracted services	<u>37,942</u>	<u>37,942</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>63,663</u>	<u>43,176</u>	<u>(20,487)</u>	
Total increased direct costs, G1 through G7	298,768	259,174	(39,594)	
Indirect costs	<u>2,805</u>	<u>1,153</u>	<u>(1,652)</u>	Findings 1, 2
Total costs	<u>\$ 301,573</u>	260,327	<u>\$ (41,246)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 260,327</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
Summary: July 1, 2000, through June 30, 2003				
Components G1 through G3:				
Salaries and benefits	\$ 69,944	\$ 63,579	\$ (6,365)	Finding 1
Materials and supplies	2,557	2,557	—	
Travel	721	721	—	
Contracted services	<u>499,519</u>	<u>483,020</u>	<u>(16,499)</u>	Finding 3
Subtotals	572,741	549,877	(22,864)	
Less adjusted base-year direct costs	<u>—</u>	<u>(25,294)</u>	<u>(25,294)</u>	Finding 2
Subtotals	572,741	524,583	(48,158)	
Adjustment to reduce balance to zero	<u>—</u>	<u>—</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>572,741</u>	<u>524,583</u>	<u>(48,158)</u>	
Components G4 through G7:				
Salaries and benefits	69,383	7,289	(62,094)	Finding 1
Materials and supplies	791	791	—	
Travel	115	115	—	
Contracted services	<u>139,702</u>	<u>139,702</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>209,991</u>	<u>147,897</u>	<u>(62,094)</u>	
Total increased direct costs, G1 through G7	782,732	672,480	(110,252)	
Indirect costs	<u>9,086</u>	<u>3,150</u>	<u>(5,936)</u>	Findings 1, 2
Total costs	<u>\$ 791,818</u>	675,630	<u>\$(116,188)</u>	
Less amount paid by the State		<u>(170,544)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 505,086</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

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

The district claimed unallowable salary and benefit costs of \$68,459, and related indirect costs of \$4,185. The reasons for the unallowable costs are as follows:

Component G3–Cost of Negotiation:

- The district did not provide supporting documentation for \$9,840 (126.25 hours) claimed in FY 2002-03.

Component G4–Impasse Proceedings:

- The district did not provide supporting documentation for \$11,180 (131 hours) claimed in FY 2002-03.
- The district double-claimed \$9,180 in FY 2002-03: once as a cost for contracted services and a second time as a cost for salaries and benefits.

Component G6–Contract Administration:

- The district double-claimed \$41,607 in FY 2001-02: once as a cost for contracted services and a second time as a cost for salaries and benefits.
- The district did not provide supporting documentation for \$127 (1.75 hours) claimed in FY 2002-03.

In addition to the unsupported costs of negotiation above, the district underclaimed salary and benefit costs of \$3,475 for FY 2002-03. This amount was credited against the cost-of-negotiation finding, which netted to \$6,365 (\$9,840 – \$3,475).

A summary of the unallowable costs and the related indirect costs is as follows:

	<u>Fiscal Year</u>			
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Total</u>
Salary and benefit costs:				
Components G1 through G3	\$ —	\$ —	\$ (6,365)	\$ (6,365)
Components G4 through G7	<u>—</u>	<u>(41,607)</u>	<u>(20,487)</u>	<u>(62,094)</u>
Total unsupported amounts	<u>\$ —</u>	<u>\$(41,607)</u>	<u>\$(26,852)</u>	<u>\$(68,459)</u>
Indirect costs, components				
G1 through G7	<u>\$ —</u>	<u>\$ (2,933)</u>	<u>\$ (1,252)</u>	<u>\$ (4,185)</u>

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will be reimbursed only for the increased costs incurred.

Parameters and Guidelines requires the claimant to show the classification of employees involved, amount of time spent, and their hourly rates. In addition, the guidelines require the claimant to show the costs of salaries and benefits for employer representatives participating in negotiations, the cost of substitute teachers for release time of exclusive bargaining unit representatives during negotiations, the job classifications of the bargaining unit representatives that required a substitute, and dates worked.

Further, *Parameters and Guidelines* requires the claimant to show the name of professionals or consultants, and to specify the functions the consultants performed relative to the mandate, the length of appointment, and the itemized costs for such services.

Recommendation

We recommend that the district establish procedures to ensure all claims are eligible and properly supported.

District’s Response

The district agrees with this finding.

**FINDING 2—
Understated base year
offsets and related
indirect costs**

For the audit period, the district understated the Winton Act direct cost offsets by \$25,294, resulting in an overstatement in claimed costs by the same amount. The related indirect costs were \$1,751.

A summary of the understatements of the offsets is as follows:

	<u>Fiscal Year</u>			<u>Total</u>
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	
Winton Act direct costs:				
Base year, 1974-75	\$ (2,612)	\$ (2,612)	\$ (2,612)	
Implicit Price Deflator	<u>× 3.174</u>	<u>× 3.219</u>	<u>× 3.291</u>	
Adjusted base year direct costs	<u>\$ (8,290)</u>	<u>\$ (8,408)</u>	<u>\$ (8,596)</u>	<u>\$(25,294)</u>
Indirect costs, components				
G1 through G7	<u>\$ (758)</u>	<u>\$ (593)</u>	<u>\$ (400)</u>	<u>\$ (1,751)</u>

Parameters and Guidelines states that public school employers will be reimbursed for the “increased costs” incurred as a result of compliance with the mandate. Determination of the “increased” costs requires the costs of current-year Rodda Act activities to be offset by the cost of the base-year Winton Act activities. The Winton Act direct costs are adjusted by the implicit price deflator before offsetting against the current-year costs.

Recommendation

We recommend that the district establish procedures to ensure that the Winton Act direct cost offsets are reported on all claims submitted for reimbursement.

District's Response

The district agrees with this finding.

**FINDING 3—
Unallowable contract
services**

The district claimed unallowable contract service costs of \$16,499. Contract service costs are unallowable for the following reasons:

Component G3–Cost of Negotiation:

- For FY 2000-01, the district overclaimed the cost for contract services by \$12,353. The district claimed costs for 91.5 hours of service not reimbursable under this mandated program. The 91.5 hours were claimed at a rate of \$135 per hour, for a total of \$12,353.
- For FY 2002-03, the district overclaimed the cost for contract services by \$4,146. The district claimed costs for 307 hours of service at a rate of \$135 per hour, totaling \$41,445; however, based on the review of invoices paid, the district actually paid for services at various rates below \$135 per hour, totaling \$37,299. The difference of \$4,146 is unsupported.

A summary of the unallowable cost for contract services is as follows:

	<u>Fiscal Year</u>			<u>Total</u>
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	
Contract services:				
Components G1 through G3	\$(12,353)	\$ —	\$ (4,146)	\$(16,499)
Components G4 through G7	—	—	—	—
Totals	<u>\$(12,353)</u>	<u>\$ —</u>	<u>\$ (4,146)</u>	<u>\$(16,499)</u>

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will be reimbursed only for the increased costs incurred.

Further, *Parameters and Guidelines* requires the claimant to show the name of professionals or consultants, and to specify the functions the consultants performed relative to the mandate, the length of appointment, and the itemized costs for such services.

Parameters and Guidelines also states that the maximum reimbursable fee for contracted services is \$135 per hour.

Recommendation

We recommend that the district establish procedures to ensure all claims are eligible and properly supported.

District's Response

The district agrees with this finding.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

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