

INGLEWOOD UNIFIED SCHOOL DISTRICT

Revised Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

January 2007



JOHN CHIANG
California State Controller

January 26, 2007

Pamela Short-Powell, Ed.D., Superintendent
Inglewood Unified School District
401 S. Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Powell:

The State Controller's Office audited the costs claimed by the Inglewood Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004.

This revised final report supersedes the previously issued final report dated September 27, 2006. This final revised report eliminates Finding 3 and revises Finding 4 (renumbered as Finding 3) from the previously issued report, and reduces allowable annual costs to claimed costs. As a result, net allowable costs increased by \$78,969.

The district claimed \$321,751 for the mandated program. Our audit disclosed that \$305,787 is allowable and \$15,964 is unallowable. The unallowable costs occurred primarily because the district made calculation errors in the claims, duplicated costs, and claimed costs that were not reimbursable. The State paid the district \$343,338. The district should return \$37,551 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

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

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/ams:vb

cc: Tim Brown

Chief Operations Officer
Inglewood Unified School District

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Los Angeles County Superintendent of Schools
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Inglewood Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was October 6, 2005.

The district claimed \$321,751 for the mandated program. Our audit disclosed that \$305,787 is allowable and \$15,964 is unallowable. The unallowable costs occurred primarily because the district made calculation errors in the claims, duplicated costs, and claimed costs that were not reimbursable. The State paid the district \$343,338. The district should return \$37,551 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 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 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 [FY] 1974-75), as adjusted by the implicit price deflator. For components G4 through G7, increased costs represent actual costs incurred.

The seven components are as follows.

- G1—Determining bargaining units and exclusive representatives
- G2—Election of unit representatives
- G3—Costs of negotiations
- G4—Impasse proceedings
- G5—Collective bargaining agreement disclosure
- G6—Contract administration
- G7—Unfair labor practice costs

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, 2001, through June 30, 2004.

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

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

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

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, Inglewood Unified School District claimed \$321,751 for costs of the Collective Bargaining Program. Our audit disclosed that \$305,787 is allowable and \$15,964 is unallowable.

For FY 2001-02, the State paid the district \$180,000. Our audit disclosed that \$142,449 is allowable. The district should return \$37,551 to the State.

For FY 2002-03, the State paid the district \$137,834. Our audit disclosed that \$137,834 is allowable.

For FY 2003-04, the State paid the district \$25,504. Our audit disclosed that \$25,504 is allowable.

**Views of
Responsible
Official**

We issued a draft audit report on January 20, 2006. Tim Brown, Chief Operations Officers, responded by letter dated February 23, 2006 (Attachment), disagreeing with the audit results for Finding 4. Mr. Brown did not respond to Findings 1 through 3.

This revised final report supersedes the previously issued final report dated September 7, 2006. This final revised report eliminates Finding 3 and revises Finding 4 (renumbered as Finding 3) from the previously issued report, increasing allowable costs by \$88,541. This final revised report also reduces allowable costs by \$9,572 to limit the resulting allowable annual costs to claimed costs. As a result, net allowable costs increased by \$78,969. We advised Pheno Taylor, Fiscal Director, of the revised audit report on January 11, 2007.

Restricted Use

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

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Revised Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 15,865	\$ 14,764	\$ (1,101)	Finding 1
Contracted services	<u>61,883</u>	<u>57,584</u>	<u>(4,299)</u>	Finding 2
Increased direct costs, G1 through G3	<u>77,748</u>	<u>72,348</u>	<u>(5,400)</u>	
Components activities G4 through G7:				
Salaries and benefits	8,944	8,209	(735)	Finding 1
Contracted services	<u>70,029</u>	<u>60,325</u>	<u>(9,704)</u>	Finding 2
Increased direct costs, G4 through G7	<u>78,973</u>	<u>68,534</u>	<u>(10,439)</u>	
Total increased direct costs, G1 through G7	156,721	140,882	(15,839)	
Indirect costs	<u>1,692</u>	<u>1,567</u>	<u>(125)</u>	Findings 1, 3
Total program costs	<u>\$ 158,413</u>	142,449	<u>\$ (15,964)</u>	
Less amount paid by the State		<u>(180,000)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (37,551)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 4,370	\$ 6,778	\$ 2,408	Finding 1
Contracted services	<u>36,463</u>	<u>36,463</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>40,833</u>	<u>43,241</u>	<u>2,408</u>	
Components activities G4 through G7:				
Salaries and benefits	11,955	19,599	7,644	Finding 1
Contracted services	<u>84,132</u>	<u>82,917</u>	<u>(1,215)</u>	Finding 2
Increased direct costs, G4 through G7	<u>96,087</u>	<u>102,516</u>	<u>6,429</u>	
Total increased direct costs, G1 through G7	136,920	145,757	8,837	
Indirect costs	<u>914</u>	<u>1,477</u>	<u>563</u>	Findings 1, 3
Subtotal	137,834	147,234	9,400	
Less allowable costs that exceed amount claimed ²	<u>—</u>	<u>(9,400)</u>	<u>(9,400)</u>	
Total program costs	<u>\$ 137,834</u>	137,234	<u>\$ —</u>	
Less amount paid by the State		<u>(137,834)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 618	\$ 713	\$ 95	Finding 1
Contracted services	<u>16,463</u>	<u>16,463</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>17,081</u>	<u>17,176</u>	<u>95</u>	
Components activities G4 through G7:				
Salaries and benefits	467	539	72	Finding 1
Contracted services	<u>7,922</u>	<u>7,922</u>	<u>—</u>	
Increased direct costs, G4 through G7	<u>8,389</u>	<u>8,461</u>	<u>72</u>	
Total increased direct costs, G1 through G7	25,470	25,637	167	
Indirect costs	<u>34</u>	<u>39</u>	<u>5</u>	Findings 1, 3
Subtotal	25,504	25,676	172	
Less allowable costs that exceed amount claimed ²	<u>—</u>	<u>(172)</u>	<u>(172)</u>	
Total program costs	<u>\$ 25,504</u>	25,504	<u>\$ —</u>	
Less amount paid by the State		<u>(25,504)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Components activities G1 through G3:				
Salaries and benefits	\$ 20,853	\$ 22,255	\$ 1,402	Finding 1
Contracted services	<u>114,809</u>	<u>110,510</u>	<u>(4,299)</u>	Finding 2
Increased direct costs, G1 through G3	<u>135,662</u>	<u>132,765</u>	<u>(2,897)</u>	
Components activities G4 through G7:				
Salaries and benefits	21,366	28,347	6,981	Finding 1
Contracted services	<u>162,083</u>	<u>151,164</u>	<u>(10,919)</u>	Finding 2
Increased direct costs, G4 through G7	<u>183,449</u>	<u>179,511</u>	<u>(3,938)</u>	
Total increased direct costs, G1 through G7	319,111	312,276	(6,835)	
Indirect costs	<u>2,640</u>	<u>3,083</u>	<u>443</u>	Findings 1, 3
Subtotal	321,751	315,359	(6,392)	
Less allowable costs that exceed amount claimed ²	<u>—</u>	<u>(9,572)</u>	<u>(9,572)</u>	
Total program costs	<u>\$ 321,751</u>	305,787	<u>\$ (15,964)</u>	
Less amount paid by the State		<u>(343,338)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (37,551)</u>		

¹ See the Revised Findings and Recommendations section.

² Government Code Section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03 and FY 2003-04.

Revised Findings and Recommendations

**FINDING 1—
Understated salary
and benefit costs and
related indirect costs**

The district understated salary and benefit costs by \$8,383 and related indirect costs of \$443 for the audit period. The reasons for the net understatement follow.

- The district understated salaries and benefits by \$10,442 (\$223 for FY 2001-02, \$10,052 for FY 2002-03, and \$167 for FY 2003-04) because it understated the hourly rate.
- For FY 2001-02, the district:
 - Duplicated 19.05 hours, totaling \$1,440;
 - Did not support 1.7 hours, totaling \$534; and
 - Claimed 1.2 hours that we could not verify, totaling \$85.

The following table shows the understated salary and benefit costs.

Component	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salaries and benefits:				
G1 through G3	\$ (1,101)	\$ 2,408	\$ 95	\$ 1,402
G4 through G7	(735)	7,644	72	6,981
Total salaries and benefits	<u>\$ (1,836)</u>	<u>\$ 10,052</u>	<u>\$ 167</u>	<u>\$ 8,383</u>
Indirect costs:				
G1 through G7	<u>\$ (125)</u>	<u>\$ 563</u>	<u>\$ 5</u>	<u>\$ 443</u>

Parameters and Guidelines states, “Cost must be shown separately by component activity” and “Public school employers will be reimbursed for the ‘increased costs’ incurred as a result of compliance with the mandate.”

For salaries and employees’ benefits, *Parameters and Guidelines* requires the district to “Show the classification of the employees involved, the amount of time spent, and their hourly rate.”

Recommendation

We recommend that the district establish written operating procedures that specify what constitutes collective bargaining activity; how the district will account for related salaries, benefits, and other costs; and how the district will monitor staff adherence to the district’s procedures.

District’s Response

The district did not respond to this finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 2—
Unallowable contract
services**

The district claimed unallowable contract services costs of \$15,218 during the audit period. The reasons for the net understatement follow.

- For FY 2001-02, the district:
 - Claimed \$8,543 more than what was billed to it;
 - Duplicated \$3,800 in costs; and
 - Claimed \$1,120 for an Amicus Curiae brief that was not eligible for reimbursement.
- The district overstated costs by \$1,755 (\$540 for FY 2001-02 and \$1,215 for FY 2002-03) due to mathematical errors in tallying up the number of contract-services hours.

The following table shows the overstated contract services costs.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Contract services:				
G1 through G3	\$ (4,299)	\$ —	\$ —	\$ (4,299)
G4 through G7	(9,704)	(1,215)	—	(10,919)
Audit adjustment	<u>\$ (14,003)</u>	<u>\$ (1,215)</u>	<u>\$ —</u>	<u>\$ (15,218)</u>

Parameters and Guidelines states, “Public school employers will be reimbursed for the increased costs incurred as a result of compliance with the mandate.”

Parameters and Guidelines requires the district to “Separately show the names of professionals or consultants, specify the functions the consultants performed relative to the mandate, specify the length of appointment, and provide itemized costs for such services.” It further states, “The maximum reimbursable fee for contracted services is \$135 per hour.”

Recommendation

We recommend that the district establish written operating procedures that specify what constitutes collective bargaining activity; how the district will account for related salaries, benefits, and other costs; and how the district will monitor staff adherence to the district’s procedures.

District’s Response

The district did not respond to this finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Indirect cost pools
overstated**

The district's indirect cost pools included direct mandate-related costs claimed for the audit period. Therefore, the indirect cost pools and the resulting indirect cost rates were overstated. As a result, the district recovered duplicate costs when it applied its indirect cost rates to federal and state-funded programs.

The district's fiscal year (FY) 2001-02, FY 2002-03, and FY 2003-04 indirect cost pools included mandate-related direct salary and benefit costs totaling \$16,779, \$25,389, and \$1,252, respectively. We allowed the direct costs claimed because the costs are mandate-related and properly supported. Although the indirect cost rates claimed were overstated, we concluded that the mandate-related indirect costs claimed were not materially affected. Therefore, we allowed the related indirect costs claimed. However, we did not calculate the duplicate costs that the district recovered by applying the overstated indirect cost rates to other federal and state-funded programs.

Office of Management and Budget Circular A-87, Attachment A, states that direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective, but which are not readily assignable to the cost objectives benefited without effort disproportionate to the results achieved.

Recommendation

We recommend that the district notify the California Department of Education (CDE) that the district overstated its indirect cost rates by including mandate-related direct costs in its indirect cost pools. We recommend that the district work with the CDE to adjust subsequent years' indirect cost rates to account for the rates that were overstated during the audit period.

We also recommend that the district work with the CDE to identify the appropriate codes from the CDE's standardized account code structure that the district should use when costs are charged directly to federal and state-funded programs.

District's Response

The district responded to our original draft audit findings, which reflected an audit adjustment for offsetting reimbursements resulting from direct mandate-related costs included in the indirect cost pools. The district disagreed with the previous audit finding, stating that the expenses, attorney fees, and employee salaries funded by other revenues were properly excluded from claimed costs and that the *Parameters and Guidelines* do not support the SCO's allocation method.

SCO's Comment

The district did not address the specific issue identified in the finding. The district did not disprove that the indirect cost pools included direct mandate-related costs. Subsequent to the issuance of the draft report, we reduced offsetting revenues from \$230,124 to \$85,936. In this revised final report, we revised the audit finding to eliminate the monetary audit adjustment. However, our audit finding continues to report that the district's indirect cost pools inappropriately included mandate-related direct costs. We recommend that the district work with the CDE to resolve this issue.

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



INGLEWOOD UNIFIED SCHOOL DISTRICT

401 SOUTH INGLEWOOD AVENUE, INGLEWOOD, CALIFORNIA 90301

310-419-2792 (Business) * 310-677-0685 (Fax)

February 23, 2004 *b*

State Controller's Office
Division of Audits
Attention: Jim Spano
300 Capitol Mall, Suite 518
Sacramento, CA 95814

RE: Response to Draft Audit Report – Collective Bargaining FY's 2001/02-2003/04

Dear Mr. Spano:

The District is in receipt of the draft audit report your division has issued on its audit of claims filed by the district on the Collective Bargaining program, fiscal years 2001/02 through 2003/04. We thank your auditors for their professionalism in conducting this audit.

The district claimed \$321,751 for fiscal years 2001/02-03/04. Of that total, the audit disclosed \$82,629 to be allowable and \$239,122 to be unallowable. Of the \$239,122 determined to be unallowable \$230,125, or 96% of the total disallowance, was related to "unreported offsetting revenues". The district disagrees with the methodology implemented by the State Controller's Office on the basis that expenses, attorney fees and employee salaries funded by other revenues were properly excluded from the claimed amounts. Additionally, the parameters and guidelines do not support the allocation method only recently implemented by the SCO.

We appreciate your providing the district the opportunity to respond to this draft audit report.

Sincerely,

Tim Brown,
Chief Operations Officer

TB/im

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

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