

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2000, through June 30, 2004



JOHN CHIANG
California State Controller

August 2007



JOHN CHIANG
California State Controller

August 24, 2007

Bruce Harter, Superintendent
West Contra Costa Unified School District
1108 Bissell Avenue, Room 101
Richmond, CA 94802

Dear Mr. Harter:

The State Controller's Office audited the costs claimed by the West Contra Costa Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2004.

The district claimed and was paid \$987,013 (\$988,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$675,503 is allowable and \$311,510 is unallowable. The unallowable costs occurred primarily because the district claimed costs that were not supported by source documents and claimed costs that were ineligible for reimbursement. The State will offset \$311,510 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

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 CSM'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, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:jj:smr

cc: Ruth Vedovelli, Associate Superintendent of Business Services
West Contra Costa Unified School District
Rick Werlin, Assistant Superintendent of Human Resources
West Contra Costa Unified School District
Alan Hersh, General Counsel
West Contra Costa Unified School District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the West Contra Costa Unified School District for the legislatively mandated Collective Bargaining Program (Chapter 961, Statutes of 1975, and Chapter 1213, Statutes of 1991) for the period of July 1, 2000, through June 30, 2004. The last day of fieldwork was January 10, 2006.

The district claimed and was paid \$987,013 (\$988,013 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$675,503 is allowable and \$311,510 is unallowable. The unallowable costs occurred primarily because the district claimed costs that were not supported by source documents and claimed costs that were ineligible for reimbursement. The State will offset \$311,510 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

Background

In 1975, the State enacted the Rodda Act (Chapter 961, Statutes of 1975), requiring the employer and employee to meet and negotiate, thereby creating a collective bargaining atmosphere for public 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 (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, 2000, 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, the West Contra Costa Unified School District claimed and was paid \$987,013 (\$988,013 less a \$1,000 penalty for filing a late claim) for costs of the Collective Bargaining Program. Our audit disclosed that \$675,503 is allowable and \$311,510 is unallowable. The State will offset \$311,510 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on April 20, 2007. We contacted Ruth Vedovelli, Associate Superintendent of Business Services, on May 16, 2007. Ms. Vedovelli referred us to Martin Coyne, Director of Internal Audits, for the district's response. Mr. Coyne contacted our office several times asking for additional time to provide a response to the draft audit report. His last response was received via e-mail on June 19, 2007, stating that a response would be provided no later than June 21, 2007. However, Mr. Coyne did not respond to the draft report.

Restricted Use

This report is solely for the information and use of the West Contra Costa Unified School District 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, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2000, through June 30, 2001</u>				
Components G1 through G3:				
Salaries and benefits	\$ 71,161	\$ 65,797	\$ (5,364)	Finding 1
Materials and supplies	12,991	2,892	(10,099)	Finding 2
Travel	428	428	—	
Contracted services	133,277	83,540	(49,737)	Finding 3
Increased direct costs, G1 through G3	<u>217,857</u>	<u>152,657</u>	<u>(65,200)</u>	
Components G4 through G7:				
Salaries and benefits	26,867	5,981	(20,886)	Finding 1
Materials and supplies	1,302	800	(502)	Finding 2
Contracted services	21,951	18,751	(3,200)	Finding 3
Increased direct costs, G4 through G7	<u>50,120</u>	<u>25,532</u>	<u>(24,588)</u>	
Total increased direct costs, G1 through G7	267,977	178,189	(89,788)	
Indirect costs	6,314	4,251	(2,063)	Findings 1, 2
Total program costs	<u>\$ 274,291</u>	182,440	<u>\$ (91,851)</u>	
Less amount paid by the State		<u>(274,291)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (91,851)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Components G1 through G3:				
Salaries and benefits	\$ 121,588	\$ 107,375	\$ (14,213)	Finding 1
Materials and supplies	10,733	4,138	(6,595)	Finding 2
Travel	457	457	—	
Contracted services	87,055	75,965	(11,090)	Finding 3
Increased direct costs, G1 through G3	<u>219,833</u>	<u>187,935</u>	<u>(31,898)</u>	
Components G4 through G7:				
Salaries and benefits	76,243	42,708	(33,535)	Finding 1
Materials and supplies	2,464	2,310	(154)	Finding 2
Contracted services	93,860	54,180	(39,680)	Finding 3
Increased direct costs, G4 through G7	<u>172,567</u>	<u>99,198</u>	<u>(73,369)</u>	
Total increased direct costs, G1 through G7	392,400	287,133	(105,267)	
Indirect costs	12,224	9,074	(3,150)	Findings 1, 2
Subtotal	404,624	296,207	(108,417)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 403,624</u>	295,207	<u>\$ (108,417)</u>	
Less amount paid by the State		<u>(403,624)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (108,417)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Components G1 through G3:				
Salaries and benefits	\$ 121,160	\$ 50,924	\$ (70,236)	Finding 1
Materials and supplies	1,604	1,504	(100)	Finding 2
Travel	180	180	—	
Contracted services	15,956	16,915	959	Finding 3
Increased direct costs, G1 through G3	<u>138,900</u>	<u>69,523</u>	<u>(69,377)</u>	
Components G4 through G7:				
Salaries and benefits	34,142	12,742	(21,400)	Finding 1
Materials and supplies	6,900	2,569	(4,331)	Finding 2
Contracted services	82,855	83,098	243	Finding 3
Increased direct costs, G4 through G7	<u>123,897</u>	<u>98,409</u>	<u>(25,488)</u>	
Total increased direct costs, G1 through G7	262,797	167,932	(94,865)	
Indirect costs	9,380	3,886	(5,494)	Findings 1, 2
Total program costs	<u>\$ 272,177</u>	171,818	<u>\$ (100,359)</u>	
Less amount paid by the State		<u>(272,177)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (100,359)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Components G1 through G3:				
Salaries and benefits	\$ 18,630	\$ 15,732	\$ (2,898)	Finding 1
Materials and supplies	172	172	—	
Contracted services	7,956	7,254	(702)	Finding 3
Increased direct costs, G1 through G3	<u>26,758</u>	<u>23,158</u>	<u>(3,600)</u>	
Components G4 through G7:				
Salaries and benefits	7,935	1,244	(6,691)	Finding 1
Contracted services	688	648	(40)	Finding 3
Increased direct costs, G4 through G7	<u>8,623</u>	<u>1,892</u>	<u>(6,731)</u>	
Total increased direct costs, G1 through G7	35,381	25,050	(10,331)	
Indirect costs	1,540	988	(552)	Findings 1, 2
Total program costs	<u>\$ 36,921</u>	26,038	<u>\$ (10,883)</u>	
Less amount paid by the State		<u>(36,921)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,883)</u>		
<u>Summary: July 1, 2000, through June 30, 2004</u>				
Total increased direct costs, G1 through G7	\$ 958,555	\$ 658,304	\$ (300,251)	
Indirect costs	29,458	18,199	(11,259)	
Total direct and indirect costs	988,013	676,503	(311,510)	
Late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 987,013</u>	675,503	<u>\$ (311,510)</u>	
Less amount paid by the State		<u>(987,013)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (311,510)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits**

The district claimed unallowable salary and benefit costs totaling \$175,223 for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, total \$10,023. The audit adjustments resulted from the following issues.

Unsupported Hours Claimed

The district claimed costs for various employees that were not documented with adequate supporting documentation. As a result, the district overstated salary and benefit costs by \$76,120 for the audit period. The district claimed unsupported mandate-related costs during the audit period as follows.

- The district did not provide source documents (e.g. individual activity log sheets, meeting sign-in sheets, and/or actual time records) to validate certain employee hours charged totaling \$42,562. In most cases, costs could not be traced to any supporting documentation.
- The district claimed duplicate costs totaling \$1,086.
- The district claimed costs for the wrong fiscal year or provided no date information at all for costs incurred totaling \$32,472.

The following table summarizes the audit adjustments that resulted from unsupported hours claimed.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Component G1–G3	\$ (2,831)	\$ (9,087)	\$ (53,706)	\$ (1,150)	\$ (66,774)
Component G4–G7	(3,500)	(1,458)	(3,724)	(664)	(9,346)
Audit adjustment	<u>\$ (6,331)</u>	<u>\$ (10,545)</u>	<u>\$ (57,430)</u>	<u>\$ (1,814)</u>	<u>\$ (76,120)</u>

Unallowable Activities Claimed

The district claimed costs for various activities that are not reimbursable under the *Parameters and Guidelines*. As a result, the district overstated salary and benefit costs in the net amount of \$97,409 for the audit period. The district claimed unallowable mandate-related costs during the audit period as follows.

- The district claimed \$64,187 for training activities. Supporting documentation provided indicated that training hours claimed were not specifically related to the negotiated contract. Instead, time was claimed for activities such as “FRISK” training, which includes a variety of general administrative tasks, as well as for administrative evaluation training, sexual harassment training, language adoption procedures training, management obligations in union decertification training, workshops on employee transfers, workshops on discipline, and workshops on “UTR” evaluations.

- The district claimed costs totaling \$18,438 for negotiation and negotiation planning sessions for subjects not related to collective bargaining. Supporting documentation provided indicated that these sessions were for topics including “budget forecasting and projections,” “salary input,” “preparing for possible grievances,” “seniority list verification,” “staff meetings,” “administrative evaluation,” “summer hiring,” “teacher prep task force,” “Special Ed instructor aide,” “job description meetings,” and “staff leadership meetings.”
- The district claimed costs totaling \$4,037 for certain negotiation, negotiation planning, and contract interpretation sessions, but supporting documentation provided did not indicate the purpose of these sessions, the topics discussed, which employee union was involved, or whether or not negotiations actually took place.
- The district claimed costs totaling \$1,978 for negotiation sessions when more than five employer representatives were claimed.
- The district claimed costs totaling \$347 for employee representatives’ attendance at negotiation sessions.
- The district claimed costs totaling \$231 for presentation of the district proposal for “fiscal impact discussions” and personnel-related issues.
- The district claimed costs totaling \$2,605 for certain grievances for which the supporting documentation provided indicated only generic descriptions, such as “grievance hearing,” “discipline,” “wrote response,” “meeting with employee,” “grievance report,” “grievance appeal,” “letter of reprimand,” “administrative leave,” or “upgrade/reclass.” No information was provided indicating what school employee was involved, the nature of the grievance, or if some issues even involved grievances.
- The district claimed costs totaling \$4,530 for certain grievances for which the supporting documentation provided indicated that the purpose of these sessions was personnel-related rather than collective bargaining-related. Topics noted include “sexual harassment,” “grievance procedures and discipline,” “safety concerns at De Anza,” “letters of reprimand,” and “pending personnel matters.”
- The district claimed costs totaling \$1,056 for contract interpretation sessions, but the supporting documentation provided indicated that the purpose of these sessions was personnel-related instead of collective bargaining-related. Topics noted included “sexual harassment,” “threats to the principal,” and “disciplinary actions.”

The following table summarizes the audit adjustments that resulted from unsupported hours claimed.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Component G1–G3	\$ (2,533)	\$ (5,126)	\$ (15,571)	\$ (1,748)	\$ (24,978)
Component G4–G7	(16,961)	(32,077)	(17,366)	(6,027)	(72,431)
Audit adjustment	\$ (19,494)	\$ (37,203)	\$ (32,937)	\$ (7,775)	\$ (97,409)

Misclassified Costs

During the audit period, the district claimed \$1,694 in salary and benefit costs that were actually contracted-service costs (\$425 in FY 2000-01 and \$1,269 in FY 2002-03). These costs were reclassified and are allowable as contracted services for the district.

Summary

Following is a summary breakdown of the audit adjustment for unsupported and unallowable salaries and benefits, and related indirect costs.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
<u>Components G1–G3</u>					
Unsupported hours:					
G3–Cost of negotiations	\$ (843)	\$ (5,132)	\$ (36,058)	\$ (979)	\$ (43,012)
G3–Negotiation planning	(1,988)	(3,349)	(15,573)	(171)	(21,081)
G3–District proposal	—	(606)	(2,075)	—	(2,681)
Total unsupported hours	<u>(2,831)</u>	<u>(9,087)</u>	<u>(53,706)</u>	<u>(1,150)</u>	<u>(66,774)</u>
Unallowable activities:					
G3–Cost of negotiations	—	(4,336)	(2,919)	(1,748)	(9,003)
G3–Negotiation planning	(2,533)	(762)	(12,449)	—	(15,744)
G3–District proposal	—	(28)	(203)	—	(231)
Total unallowable activities	<u>(2,533)</u>	<u>(5,126)</u>	<u>(15,571)</u>	<u>(1,748)</u>	<u>(24,978)</u>
Misclassified costs	—	—	(959)	—	(959)
Total components G1–G3	<u>(5,364)</u>	<u>(14,213)</u>	<u>(70,236)</u>	<u>(2,898)</u>	<u>(92,711)</u>
<u>Components G4–G7</u>					
Unsupported hours:					
G4–Impasse procedures	—	—	(760)	—	(760)
G6–Arbitration appeals	(655)	—	—	—	(655)
G6–Contract interpretation	(119)	(207)	(828)	—	(1,154)
G6–Grievances	(2,726)	(1,106)	(2,091)	(664)	(6,587)
G6–Training	—	(110)	—	—	(110)
G7–Unfair labor practice	—	(35)	(45)	—	(80)
Total unsupported hours	<u>(3,500)</u>	<u>(1,458)</u>	<u>(3,724)</u>	<u>(664)</u>	<u>(9,346)</u>
Unallowable activities:					
G6–Grievances	(2,967)	(3,473)	(695)	—	(7,135)
G6–Contract interpretation	—	(365)	(744)	—	(1,109)
G6–Training	(13,994)	(28,239)	(15,927)	(6,027)	(64,187)
Total unallowable activities	<u>(16,961)</u>	<u>(32,077)</u>	<u>(17,366)</u>	<u>(6,027)</u>	<u>(72,431)</u>
Misclassified costs	(425)	—	(310)	—	(735)
Total components G4–G7	<u>(20,886)</u>	<u>(33,535)</u>	<u>(21,400)</u>	<u>(6,691)</u>	<u>(82,512)</u>
Subtotal	(26,250)	(47,748)	(91,636)	(9,589)	(175,223)
Related indirect costs	(1,470)	(2,760)	(5,241)	(552)	(10,023)
Total audit adjustment	<u>\$ (27,720)</u>	<u>\$ (50,508)</u>	<u>\$ (96,877)</u>	<u>\$ (10,141)</u>	<u>\$ (185,246)</u>

Parameters and Guidelines requires the claimant to show the classification of the employees involved, the amount of time spent, and their hourly rates.

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 states that a maximum of five public school employer representatives per unit, per negotiation session, are eligible for reimbursement. The salaries of union representatives are not reimbursable.

Parameters and Guidelines states that training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract are reimbursable. Contract interpretations at staff meetings are not reimbursable. Personal development and informational programs—i.e., classes, conferences, seminars, workshops, and time spent by employees attending such meetings—are not reimbursable.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs and that claimed costs are based on actual costs that are properly supported. Supporting documentation should identify the mandated functions performed and support the actual number of hours devoted to each function.

District's Response

The district did not respond to the finding.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 2— Unallowable materials and supplies

The district claimed unallowable materials and supplies costs totaling \$21,781 for the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, total \$1,236. The audit adjustments resulted from the following issues.

Unsupported Costs

The district did not provide adequate documentation to support \$8,117 in claimed costs for the audit period. Specifically, the district did not provide source documents—e.g., receipts, vouchers, or invoices—to validate the costs claimed. The finding includes \$3,000 claimed for the services of an outside consultant used by the district's attorneys, although there is no indication what services the outside consultant performed.

Unallowable Activities

During the audit period, the district claimed \$13,664 for costs that are unallowable. Specifically, the district claimed costs totaling \$10,453 for various clerical expenses, billed by the district's attorneys, that were not detailed and included costs not related to mandated activities. We were not able to determine what amount of these costs were applicable to collective bargaining activities. Additionally, the district claimed costs associated with legal research totaling \$2,709; however, the attorney

billings indicated only “automated legal research” and did not specify the purpose of the research and how it related to collective bargaining activities. The district also overclaimed costs by \$502 when it claimed \$1,003 for arbitrators’ fees for adjudicating grievances. *Parameters and Guidelines* allow for a 50% reimbursement of a public school employer’s portion of arbitrators’ fees.

Following is a summary breakdown of the audit finding for unsupported and unallowable materials and supplies costs, and related indirect costs.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
<u>Component G1–G3</u>					
Unsupported costs:					
G3–Negotiation planning	\$ (3,000)	\$ —	\$ —	\$ —	\$ (3,000)
G3–Negotiations	—	(240)	(100)	—	(340)
G3–Contract proposal	—	(446)	—	—	(446)
Subtotal–unsupported hours	(3,000)	(686)	(100)	—	(3,786)
Unallowable activities:					
G3–Negotiation planning	(7,099)	(5,909)	—	—	(13,008)
Total components G1–G3	(10,099)	(6,595)	(100)	—	(16,794)
<u>Components G4–G7</u>					
Unsupported costs:					
G7–Unfair labor practice	—	—	(4,331)	—	(4,331)
Unallowable activities:					
G4–Impasse proceedings	—	(154)	—	—	(154)
G6–Grievances	(502)	—	—	—	(502)
Total unallowable activities	(502)	(154)	—	—	(656)
Total components G4–G7	(502)	(154)	(4,331)	—	(4,987)
Subtotal	(10,601)	(6,749)	(4,431)	—	(21,781)
Related indirect costs	(593)	(390)	(253)	—	(1,236)
Audit adjustment	\$ (11,194)	\$ (7,139)	\$ (4,684)	\$ —	\$ (23,017)

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 states that only expenditures that can be identified as a direct cost as a result of the mandate can be claimed.

Parameters and Guidelines states that a public school employer’s portion of arbitrators’ fees for adjudicating grievances, representing 50% of costs, will be reimbursed.

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs and that claimed costs are based on actual costs that are properly supported.

District’s Response

The district did not respond to the finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Unallowable
contracted services**

The district claimed unsupported and unallowable contracted services costs totaling \$103,247 for the audit period. The audit adjustments resulted from the following issues.

Unsupported Costs

The district claimed costs for contracted services that were not documented with adequate supporting documentation. As a result, the district overstated contracted-services costs in the amount of \$43,087 for the audit period.

The district claimed unsupported mandate-related costs during the audit period as follows.

- The district did not provide support for \$42,817 in claimed contracted services costs for the audit period. Specifically, the district did not provide source documents (e.g., detailed attorney invoices, vouchers, or time records indicating the mandated activities performed) to validate costs claimed.
- The district claimed costs totaling \$270 for the wrong fiscal year.

The following table summarizes the audit adjustments that resulted from the unsupported costs claimed.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Unsupported costs:					
Component G1–G3	\$ (4,037)	\$ (2,281)	\$ —	\$ —	\$ (6,318)
Component G4–G7	(1,789)	(34,980)	—	—	(36,769)
Audit adjustment	<u>\$ (5,826)</u>	<u>\$ (37,261)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (43,087)</u>

Unallowable Activities

The district claimed costs for various activities that are not reimbursable under the *Parameters and Guidelines*. As a result, the district overstated contracted services costs in the amount of \$61,854 for the audit period. The district claimed unallowable mandate-related costs during the audit period, as follows.

- The district claimed costs totaling \$51,447 for attorneys’ retainer fees (\$36,747 under the cost category of negotiation planning and preparation, and \$14,700 under contract negotiations). The associated attorney billings did not indicate the hourly rate being charged nor what, if any, services were performed that were related to mandated activities.

- The district claimed costs totaling \$2,362 under the cost category of negotiation planning and preparation for items that are not related to mandated activities. Items claimed included “budget projections & forecasting,” “teacher incentive awards,” “security handbook,” “pending personnel matters,” “review Board policies,” and “possible layoff issues.”
- The district claimed costs totaling \$1,400 under the cost category of negotiation planning and preparation for the cost of preparing minutes of negotiation sessions. However, district representatives indicated that no minutes were actually prepared.
- The district claimed costs totaling \$4,441 for certain grievances for which the supporting documentation provided indicated that the purpose of these sessions was personnel-related rather than collective bargaining-related. Topics noted included “sexual harassment,” “pledge of allegiance,” “application prep for grants,” and “pending personnel matters.”
- The district claimed costs totaling \$756 under the cost category of training for a sexual harassment workshop.
- The district claimed costs totaling \$68 under the cost category of contract administration (contract interpretation) for topics that included a Skelly issue and “hiring a plumber.”
- The district claimed costs totaling \$1,380 under the cost category of unfair labor practice for “automated legal research,” “clerical expenses,” and “discrimination case.” There was no indication as to what automated legal research consisted of or whether it was related to mandated activities. We were not able to determine the amount of clerical expense costs that were applicable to collective bargaining activities. The district provided no information relating to the discrimination case or whether or not an unfair labor practice charge was filed.

The following table summarizes the audit adjustments that resulted from unallowable activities claimed.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Unallowable activities:					
Component G1-G3	\$ (45,700)	\$ (10,120)	\$ —	\$ (702)	\$ (56,522)
Component G4-G7	(1,836)	(3,389)	(67)	(40)	(5,332)
Audit adjustment	<u>\$ (47,536)</u>	<u>\$ (13,509)</u>	<u>\$ (67)</u>	<u>\$ (742)</u>	<u>\$ (61,854)</u>

Misclassified Costs

During the audit period, the district claimed \$1,694 in salaries and benefits for costs that were actually contracted-service costs (\$425 in FY 2000-01 and \$1,269 in FY 2002-03). These costs were reclassified and allowable as contracted services for the district.

Parameters and Guidelines states that the claimant must support the level of costs claimed and that the claimant will be reimbursed for the increased costs incurred as a result of compliance with the mandate.

Parameters and Guidelines states that the claimant must separately show the name of professionals or consultants and specify the functions the consultants performed relative to the mandate, the length of appointment, and the itemized costs for such services. Invoices must be submitted as supporting documentation with the claim. The maximum reimbursable fee for contracted services is \$135 per hour. Annual retainer fees shall be no greater than \$135 per hour.

Parameters and Guidelines states that training sessions held for supervisory and management personnel on contract administration/interpretation of the negotiated contract are reimbursable.

Summary

Following is a summary breakdown of the audit adjustments for unsupported and unallowable contracted-services costs.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
<u>Component G1-G3</u>					
Unsupported costs:					
G3-Negotiation planning	\$ (2,147)	\$ (2,174)	\$ —	\$ —	\$ (4,321)
G3-Negotiations	(1,890)	—	—	—	(1,890)
G3-District proposal	—	(108)	—	—	(108)
Total unsupported costs	<u>(4,037)</u>	<u>(2,282)</u>	<u>—</u>	<u>—</u>	<u>(6,319)</u>
Unallowable costs:					
G3-Negotiation planning	(31,000)	(8,808)	—	(702)	(40,510)
G3-Negotiations	(14,700)	—	—	—	(14,700)
Total unallowable activities	<u>(45,700)</u>	<u>(8,808)</u>	<u>—</u>	<u>(702)</u>	<u>(55,210)</u>
Misclassified costs	—	—	959	—	959
Total components G1-G3	<u>(49,737)</u>	<u>(11,090)</u>	<u>959</u>	<u>(702)</u>	<u>(60,570)</u>
<u>Components G4-G7</u>					
Unsupported costs:					
G6-Grievances	(270)	(55)	—	—	(325)
G6-Arbitration appeals	(1,519)	—	—	—	(1,519)
G7-Unfair labor practice	—	(34,924)	—	—	(34,924)
Subtotal-unsupported costs	<u>(1,789)</u>	<u>(34,979)</u>	<u>—</u>	<u>—</u>	<u>(36,768)</u>
Unallowable activities:					
G6-Grievances	(1,836)	(2,606)	—	—	(4,442)
G6-Contract interpretation	—	(27)	—	(40)	(67)
G6-Training	—	(756)	—	—	(756)
G7-Unfair labor practice	—	(1,312)	(67)	—	(1,379)
Total unallowable activities	<u>(1,836)</u>	<u>(4,701)</u>	<u>(67)</u>	<u>(40)</u>	<u>(6,644)</u>
Misclassified costs	425	—	310	—	735
Total components G4-G7	<u>(3,200)</u>	<u>(39,680)</u>	<u>243</u>	<u>(40)</u>	<u>(42,677)</u>
Audit adjustment	<u>\$ (52,937)</u>	<u>\$ (50,770)</u>	<u>\$ 1,202</u>	<u>\$ (742)</u>	<u>\$ (103,247)</u>

Recommendation

We recommend that the district ensure that claimed costs include only eligible costs and that claimed costs are based on actual costs that are properly supported.

District's Response

The district did not respond to the finding.

SCO's Comment

The finding and recommendation remain unchanged.

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