

WOODLAND JOINT 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

May 2007



JOHN CHIANG
California State Controller

May 18, 2007

Jacki L. Cottingim, Ph.D., Superintendent
Woodland Joint Unified School District
630 Cottonwood Street
Woodland, CA 95695

Dear Ms. Cottingim:

The State Controller's Office audited the costs claimed by the Woodland Joint 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 \$890,494 for the mandated program. Our audit disclosed that \$827,600 is allowable and \$62,894 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State will offset \$62,894 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

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/jj:vb

cc: Glenston Thompson, Interim Associate
Superintendent, Business Services
Woodland Joint Unified School District
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Woodland Joint Unified School District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Woodland Joint 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 April 28, 2005.

The district claimed and was paid \$890,494 for the mandated program. Our audit disclosed that \$827,600 is allowable and \$62,894 is unallowable. The unallowable costs occurred primarily because the district claimed unsupported costs. The State will offset \$62,894 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 [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, the 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, 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 Woodland Joint Unified School District claimed and was paid \$890,494 for costs of the Collective Bargaining Program. Our audit disclosed that \$827,600 is allowable and \$62,894 is unallowable. The State will offset \$62,894 from other mandated program payments due to the district. Alternatively, the district may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on January 17, 2007. Gerardo Castillo, Supervisor of Fiscal Services/Internal Auditor, responded by e-mail, dated March 26, 2007, agreeing with the audit results.

Restricted Use

This report is solely for the information and use of the Woodland Joint Unified School District, the Yolo 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

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	\$ 55,404	\$ 48,958	\$ (6,446)	Finding 1
Materials and supplies	626	626	—	
Contracted services	<u>20,054</u>	<u>20,054</u>	<u>—</u>	
Subtotals	76,084	69,638	(6,446)	
Less adjusted base year direct costs	<u>(1,930)</u>	<u>(1,930)</u>	<u>—</u>	
Increased direct costs, G1 through G3	<u>74,154</u>	<u>67,708</u>	<u>(6,446)</u>	
Components G4 through G7:				
Salaries and benefits	73,450	52,773	(20,677)	Finding 1
Materials and supplies	990	990	—	
Contracted services	<u>293,077</u>	<u>290,602</u>	<u>(2,475)</u>	Finding 2
Increased direct costs, G4 through G7	<u>367,517</u>	<u>344,365</u>	<u>(23,152)</u>	
Total increased direct costs, G1 through G7	441,671	412,073	(29,598)	
Indirect costs	<u>9,589</u>	<u>7,566</u>	<u>(2,023)</u>	Findings 1, 3, 4
Total program costs	<u>\$ 451,260</u>	419,639	<u>\$ (31,621)</u>	
Less amount paid by the State		<u>(451,260)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (31,621)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Components G1 through G3:				
Salaries and benefits	\$ 45,980	\$ 48,262	\$ 2,282	Finding 1
Materials and supplies	206	206	—	
Contracted services	<u>38,665</u>	<u>39,408</u>	<u>743</u>	Finding 2
Subtotals	84,851	87,876	3,025	
Less adjusted base year direct costs	<u>—</u>	<u>(1,957)</u>	<u>(1,957)</u>	Finding 3
Increased direct costs, G1 through G3	<u>84,851</u>	<u>85,919</u>	<u>1,068</u>	
Components G4 through G7:				
Salaries and benefits	59,890	39,656	(20,234)	Finding 1
Materials and supplies	131	131	—	
Contracted services	<u>60,610</u>	<u>60,475</u>	<u>(135)</u>	Finding 2
Increased direct costs, G4 through G7	<u>120,631</u>	<u>100,262</u>	<u>(20,369)</u>	
Total increased direct costs, G1 through G7	205,482	186,181	(19,301)	
Indirect costs	<u>5,576</u>	<u>4,531</u>	<u>(1,045)</u>	Findings 1, 3, 4
Total program costs	<u>\$ 211,058</u>	190,712	<u>\$ (20,346)</u>	
Less amount paid by the State		<u>(211,058)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,346)</u>		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference ¹</u>
<u>July 1, 2002, through June 30, 2003</u>				
Components G1 through G3:				
Salaries and benefits	\$ 27,037	\$ 21,654	\$ (5,383)	Finding 1
Materials and supplies	124	124	—	
Contracted services	28,851	28,942	91	Finding 2
Subtotals	56,012	50,720	(5,292)	
Less adjusted base year direct costs	—	(2,001)	(2,001)	Finding 3
Increased direct costs, G1 through G3	56,012	48,719	(7,293)	
Components G4 through G7:				
Salaries and benefits	32,590	22,292	(10,298)	Finding 1
Contracted services	65,163	77,819	12,656	Finding 2
Increased direct costs, G4 through G7	97,753	100,111	2,358	
Total increased direct costs, G1 through G7	153,765	148,830	(4,935)	
Indirect costs	2,987	2,103	(884)	Findings 1, 3, 4
Total program costs	<u>\$ 156,752</u>	150,933	<u>\$ (5,819)</u>	
Less amount paid by the State		(156,752)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,819)</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Components G1 through G3:				
Salaries and benefits	\$ 47,812	\$ 44,764	\$ (3,048)	Finding 1
Materials and supplies	41	41	—	
Contracted services	3,646	3,646	—	
Subtotals	51,499	48,451	(3,048)	
Less adjusted base year direct costs	—	(2,074)	(2,074)	Finding 3
Increased direct costs, G1 through G3	51,499	46,377	(5,122)	
Components G4 through G7:				
Salaries and benefits	4,495	4,766	271	Finding 1
Contracted services	12,661	12,661	—	
Increased direct costs, G4 through G7	17,156	17,427	271	
Total increased direct costs, G1 through G7	68,655	63,804	(4,851)	
Indirect costs	2,769	2,512	(257)	Findings 1, 3, 4
Total program costs	<u>\$ 71,424</u>	66,316	<u>\$ (5,108)</u>	
Less amount paid by the State		(71,424)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,108)</u>		
<u>Summary: July 1, 2000, through June 30, 2004</u>				
Total increased costs G1 through G7	\$ 869,573	\$ 810,888	\$ (58,685)	Finding 1
Indirect costs	20,921	16,712	(4,209)	Findings 1, 3, 4
Total program costs	<u>\$ 890,494</u>	827,600	<u>\$ (62,894)</u>	
Less amount paid by the State		(890,494)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (62,894)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Overstated salary and
benefit costs**

The district overstated employee salary and benefit costs by \$63,533 for the audit period. The related indirect costs total \$3,896. Audit adjustments are summarized as follows.

- The district claimed costs totaling \$58,021 (\$26,864 for fiscal year [FY] 2000-01, \$17,311 for FY 2001-02, and \$13,846 for FY 2002-03) that were not adequately supported. Most of these costs were supported by estimates of employee time that employees completed at the end of the school year. In addition, a portion of the FY 2000-01 substitute costs was not traceable to any source documents.
- The district claimed ineligible employee salary and benefit costs totaling \$6,820 (\$1,883 for FY 2000-01, \$2,691 for FY 2001-02, \$557 for FY 2002-03, and \$1,689 for FY 2003-04). The ineligible costs include the attendance of more than five district representatives in negotiation meetings and claiming costs for a union member, overtime for administrators, and duplicate costs.
- The district did not provide any support for employee salary and benefit costs totaling \$5,694 (\$683 for FY 2000-01, \$146 for FY 2001-02, \$2,911 for FY 2002-03, and \$1,954 for FY 2003-04). Specifically, the district did not provide source documents, such as individual activity log sheets, meeting sign-in sheets, or other time records, to validate employee hours charged. For FY 2003-04, the district provided meeting sign-in sheets for claimed costs, but some of the employees claimed were either absent or excused from the meetings.
- The district understated employees’ salary and benefit costs by \$3,585 (understatements of \$2,307 for FY 2000-01, \$1,633 for FY 2002-03, and \$382 for FY 2003-04, and an overstatement of \$737 for FY 2001-02) because it used incorrect productive hourly rates. The district did not use actual employee salary and benefit information to prepare the claims; instead, it used budgeted employee salary and benefit information generated in the middle of the fiscal year to compute the productive hourly rates.
- The district understated employee salary and benefit costs totaling \$3,417 (\$2,933 for FY 2001-02 and \$484 for FY 2003-04) due to mathematical errors it made during the claim preparation process.

The following table shows the unallowable salary and benefit costs, and related indirect costs.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Salaries and benefits:					
Components G1-G3	\$ (6,446)	\$ 2,282	\$ (5,383)	\$ (3,048)	\$(12,595)
Components G4-G7	(20,677)	(20,234)	(10,298)	271	(50,938)
Totals	(27,123)	(17,952)	(15,681)	(2,777)	(63,533)
Related indirect costs	(2,023)	(942)	(784)	(147)	(3,896)
Audit adjustment	<u>\$(29,146)</u>	<u>\$(18,894)</u>	<u>\$(16,465)</u>	<u>\$ (2,924)</u>	<u>\$(67,429)</u>

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

Parameters and Guidelines state that costs for a maximum of five public school employer representatives per unit, per negotiation session, will be reimbursed. The salaries of union representatives are not reimbursable.

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

Recommendation

We recommend that the district develop and implement an adequate recording and reporting system to ensure that all claimed costs are eligible and properly supported.

District’s Response

The district agrees with the audit finding.

**FINDING 2—
Understated contract
services**

The district understated contract services by \$10,880 for the audit period. Audit adjustments are summarized as follows.

- The district understated attorney service fees by \$13,355 due to mathematical errors it made during the claim preparation process (\$608 in FY 2000-01, and \$12,747 for FY 2002-03). The majority of the understatement occurred in FY 2002-03, when the district mistakenly claimed an hourly rate of \$15 for attorney services performed instead of \$135, which was the actual cost incurred and allowable per the *Parameters and Guidelines*.
- The district overstated arbitration fees by \$2,475 because it claimed 100% of an arbitration service fee for FY 2000-01 (instead of the allowable 50% portion).

The following table shows the unallowable contract services costs.

	Fiscal Year				Total
	2000-01	2001-02	2002-03	2003-04	
Contract services:					
Components G1-G3	\$ —	\$ 743	\$ 91	\$ —	\$ 834
Components G4-G7	(2,475)	(135)	12,656	—	10,046
Audit adjustment	\$ (2,475)	\$ 608	\$ 12,747	\$ —	\$ 10,880

Parameters and Guidelines states that public school employers will be reimbursed for the increased costs incurred as a result of compliance with the mandate.

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

Recommendation

We recommend that the district develop and implement an effective control and reporting system to ensure that all claimed costs are eligible and accurately reported.

District's Response

The district agrees with the audit finding.

FINDING 3— Understated base year direct costs

The district did not carry forward its FY 2000-01 base year costs for component activities G1, G2, and G3 (determination of representatives, elections and decertification elections, and negotiations, respectively) to the subsequent claims under audit. Consequently, the district overstated salaries and benefits by \$6,032 and related indirect costs by \$313 during the audit period.

The following table shows the audit adjustments resulting from understated base year direct costs.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Salary and benefit costs	\$ (1,957)	\$ (2,001)	\$ (2,074)	\$ (6,032)
Related indirect costs	(103)	(100)	(110)	(313)
Audit adjustment	<u>\$ (2,060)</u>	<u>\$ (2,101)</u>	<u>\$ (2,184)</u>	<u>\$ (6,345)</u>

Parameters and Guidelines states that the determination of the "increased costs" for each of these three components requires the cost of the current year Rodda Act activities to be offset (reduced) by the cost of the base-year Winton Act activities. Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs.

Recommendation

We recommend that the district establish procedures to ensure that all base-year costs are properly reported on the annual claim forms.

District's Response

The district agrees with the audit finding.

**State Controller's Office
Division of Audits
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