



BETTY T. YEE
California State Controller

September 18, 2015

Edward C. González, Superintendent
Madera Unified School District
1902 Howard Road
Madera, CA 93637

Dear Mr. González:

The State Controller's Office performed a desk review of costs claimed by the Madera Unified School District for the legislatively mandated Collective Bargaining and Collective Bargaining Agreement Disclosure Program (Chapter 961, Statutes of 1975; and Chapter 1213, Statutes of 1991) for the period of July 1, 2010, through June 30, 2012. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that direct and indirect costs were properly reported in accordance with program requirements.

The district claimed \$161,159 for the mandated program. Our review found that \$150,981 is allowable and \$10,178 is unallowable. The costs are unallowable because the district did not report the Winton Act base-year costs and did not claim indirect costs for contract services, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the district. The State will pay \$150,981, contingent upon available appropriations.

We informed Teri Bradshaw, Director of Fiscal Services, of the findings via email on August 25, 2015. We did not receive a response from the district.

If you disagree with the review findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

Attachments

RE: S15-MCC-9055

cc: Teri Bradshaw, Director of Fiscal Services
Madera Unified School District
Geri Kendall Cox, Chief Business and Administrative Services Officer
Financial and Administrative Services
Madera County Office of Education
Peter Foggiano, Director
School Fiscal Services Division
California Department of Education
Amy Tang-Paterno, Education Fiscal Services Consultant
Government Affairs Division
California Department of Education
Thomas Todd, Assistant Program Budget Manager
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2010, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 21,743	\$ 21,743	\$ -	
Travel and training	2,599	2,599	-	
Contract services	22,404	22,404	-	
Subtotal	46,746	46,746	-	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(6,875)	(6,875)	Finding 1
Increased direct costs, G1 through G3	46,746	39,871	(6,875)	
Component activities G4 through G7:				
Salaries and benefits	777	777	-	
Contract services	5,872	5,872	-	
Increased direct costs, G4 through G7	6,649	6,649	-	
Total increased direct costs, G1 through G7	53,395	46,520	(6,875)	
Indirect costs	1,263	2,340	1,077	Findings 1, 2
Total program costs	<u>\$ 54,658</u>	48,860	<u>\$ (5,798)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,860</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Component activities G1 through G3:				
Salaries and benefits	\$ 40,004	\$ 40,004	\$ -	
Materials and supplies	203	203	-	
Travel and training	3,548	3,548	-	
Contract services	45,105	45,105	-	
Subtotal	88,860	88,860	-	
Less base-year direct costs adjusted by the Implicit Price Deflator	-	(7,107)	(7,107)	Finding 1
Increased direct costs, G1 through G3	88,860	81,753	(7,107)	
Component activities G4 through G7:				
Material and supplies	33	33	-	
Travel and training	566	566	-	
Contract services	14,749	14,749	-	
Increased direct costs, G4 through G7	15,348	15,348	-	
Total increased direct costs, G1 through G7	104,208	97,101	(7,107)	
Indirect costs	2,293	5,020	2,727	Findings 1, 2
Total program costs	<u>\$ 106,501</u>	102,121	<u>\$ (4,380)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 102,121</u>		

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment	Reference ¹
<u>Summary: July 1, 2010, through June 30, 2012</u>				
Total increased direct costs, G1 through G7	\$ 157,603	\$ 143,621	\$ (13,982)	
Indirect costs	<u>3,556</u>	<u>7,360</u>	<u>3,804</u>	
Total program costs	<u>\$ 161,159</u>	150,981	<u>\$ (10,178)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 150,981</u>		

¹ See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2010, through June 30, 2012

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 Rodda Act. In addition, the legislation established organizational rights of employees and representational rights of employee organizations, and recognized exclusive representatives related to collective bargaining.

On July 17, 1978, the Board of Control (now the Commission on State Mandates [Commission]) 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. This section requires school districts to publicly disclose major provisions of a collective bargaining effort before the agreement becomes binding. On August 20, 1998, the Commission determined that this legislation also imposed a state mandate upon school districts, reimbursable under Government Code section 17561.

Claimants are allowed to claim increased costs. For 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 – Cost of negotiations
- G4 – Impasse proceedings
- G5 – Collective bargaining agreement disclosure
- G6 – Contract administration
- G7 – Unfair labor practice charges

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on October 22, 1980, and amended them ten times, most recently on January 29, 2010.

In compliance with Government Code section 17558, the State Controller's Office (SCO) issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

The current findings are the result of our review of the mandated cost claims filed for the legislatively mandated Collective Bargaining and Collective Bargaining Agreement Disclosure Program for the period of July 1, 2010, through June 30, 2012.

**FINDING 1—
Unreported Winton Act
base-year direct costs
and related indirect
costs**

The district did not report the Winton Act direct costs on its mandated cost claims for FY 2010-11 and FY 2011-12. Specifically, the district did not offset the Winton Act base-year costs against the current-year Rodda Act costs for components G1 through G3, thus understating the Winton Act base-year costs by \$13,982 for the review period. In addition, unallowable related indirect costs total \$712.

The following table summarizes the unreported Winton Act base-year cost adjustments by fiscal year:

	Fiscal Year		Total
	2010-11	2011-12	
Winton Act base-year costs, FY 1996-97	\$ (1,500)	\$ (1,500)	
Implicit Price Deflator (IPD)	× 4.583	× 4.738	
Winton Act base-year costs adjusted by the IPD	(6,875)	(7,107)	\$ (13,982)
Less reported Winton Act base-year costs	-	-	-
Unreported Winton Act base-year costs adjusted by the IPD	(6,875)	(7,107)	(13,982)
Related indirect cost adjustment	(345)	(367)	(712)
Review adjustment	\$ (7,220)	\$ (7,474)	\$ (14,694)

The parameters and guidelines (section H., Supporting Data for Claims – Report Format for Submission of Claim) state:

- a. For component activities G1, G2, and G3:
 - 1. Determination of the “increased costs” for each of these three components requires the costs of current year Rodda Act activities to be offset [reduced] by the cost of the base-year Winton Act activities. The Winton Act base-year is generally fiscal year 1974-75.

Winton Act base-year costs are adjusted by the Implicit Price Deflator prior to offset against the current year Rodda Act costs for these three components. The Implicit Price Deflator shall be listed in the annual claiming instructions of the State Controller.

The Winton Act base-year costs were obtained from the FY 1996-97 claim the district submitted to the SCO’s Division of Accounting and Reporting. The Implicit Price Deflator is reported in the SCO’s annual claiming instructions.

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that all Winton Act base-year costs are adjusted by the Implicit Price Deflator, as listed in the SCO's annual claiming instructions, and are properly offset against the district's current-year Rodda Act direct costs claimed.

**FINDING 2—
Unclaimed indirect
costs for contract
services**

The district did not claim indirect costs for contract services for FY 2010-11 and FY 2011-12, resulting in an understatement of \$4,516. We determined allowable indirect costs by multiplying claimed contract services by the indirect cost rate claimed by the district, which agreed to the indirect cost rate approved by the California Department of Education (CDE).

The parameters and guidelines allow indirect cost rates provisionally approved by the CDE. The CDE indirect cost rates are applied to total direct costs (salaries and benefits, materials and supplies, and contract services).

The following table summarizes the calculation of unclaimed indirect costs for contract services by fiscal year:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2010-11</u>	<u>2011-12</u>	
Claimed contract services	\$ 28,276	\$ 59,854	
Claimed indirect cost rate	<u>5.03%</u>	<u>5.17%</u>	
Review adjustment	<u>\$ 1,422</u>	<u>\$ 3,094</u>	<u>\$ 4,516</u>

Recommendation

Commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district follow the SCO claiming instructions for calculating indirect costs.