

OHLONE COMMUNITY COLLEGE DISTRICT

Audit Report

COLLECTIVE BARGAINING PROGRAM

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

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

June 2009



JOHN CHIANG
California State Controller

June 30, 2009

The Honorable Garrett S. Yee
President, Board of Trustees
Ohlone Community College District
43600 Mission Boulevard
Fremont, CA 94539-0390

Dear Mr. Yee:

The State Controller's Office audited the costs claimed by the Ohlone Community College 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, 2002, through June 30, 2005.

The district claimed \$487,583 (\$488,583 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$282,359. The State will pay allowable costs claimed that exceed the amount paid, totaling \$205,224, contingent upon available appropriations.

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

cc: Joanne Schultz
Executive Dean of Business Services
Ohlone Community College District
Lyle K. Engeldinger
Dean of Human Resources
Ohlone Community College District
Kuldeep Kaur, Specialist
Fiscal Planning and Administration
California Community Colleges Chancellor's Office
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Ohlone Community College 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, 2002, through June 30, 2005.

The district claimed \$487,583 (\$488,583 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that the entire amount is allowable. The State paid the district \$282,359. The State will pay allowable costs claimed that exceed the amount paid, totaling \$205,224, 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, 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 1974-75), as adjusted by the implicit price deflator. For Components G4 through G7, increased costs represent actual costs incurred.

The seven components of the Collective Bargaining Program 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

The program’s parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on October 22, 1980, and last amended them on January 27, 2000. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program 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, 2002, through June 30, 2005.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district’s financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 Ohlone Community College District claimed \$487,583 (\$488,583 less a \$1,000 penalty for filing a late claim) for costs of the Collective Bargaining Program. Our audit disclosed that the entire amount is allowable. The State paid the district \$282,359. The State will pay allowable costs claimed that exceed the amount paid, totaling \$205,224, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on July 9, 2008. Joanne Schultz, Dean of Business Services, responded by letter dated July 28, 2008 (Attachment), agreeing with the audit results. This final audit report includes the district's response.

Restricted Use

This report is solely for the information and use of the Ohlone Community College District, 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

June 30, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Components G1 through G3:				
Salaries and benefits	\$ 16,764	\$ 16,764	\$ —	
Contracted services	104,455	88,133	(16,322)	Finding 1
Increased direct costs, Components G1 through G3	121,219	104,897	(16,322)	
Components G4 through G7:				
Salaries and benefits	7,093	7,093	—	
Contracted services	151,256	124,257	(26,999)	Finding 1
Increased direct costs, Components G4 through G7	158,349	131,350	(26,999)	
Total increased direct costs	279,568	236,247	(43,321)	
Indirect costs	2,791	57,243	54,452	Finding 2
Subtotal	282,359	293,490	11,131	
Less allowable costs that exceed amount claimed ²	—	(11,131)	(11,131)	
Total program costs	<u>\$ 282,359</u>	282,359	<u>\$ —</u>	
Less amount paid by the State		(282,359)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003 through June 30, 2004</u>				
Direct costs:				
Components G1 through G3:				
Salaries and benefits	\$ 13,227	\$ 13,227	\$ —	
Contracted services	33,164	30,797	(2,367)	Finding 1
Increased direct costs, Components G1 through G3	46,391	44,024	(2,367)	
Components G4 through G7:				
Salaries and benefits	215	215	—	
Contracted services	122,950	134,066	11,116	Finding 1
Increased direct costs, Components G4 through G7	123,165	134,281	11,116	
Total increased direct costs	169,556	178,305	8,749	
Indirect costs	3,054	43,774	40,720	Finding 2
Subtotals	172,610	222,079	49,469	
Less late payment penalty	(1,000)	(1,000)	—	
Subtotals	171,610	221,079	49,469	
Less allowable costs that exceed amount claimed ²	—	(49,469)	(49,469)	
Total program costs	<u>\$ 171,610</u>	171,610	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 171,610</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Components G1 through G3:				
Salaries and benefits	\$ 17,527	\$ 17,527	\$ —	
Contracted services	5,657	5,657	—	
Increased direct costs, Components G1 through G3	23,184	23,184	—	
Components G4 through G7:				
Salaries and benefits	—	—	—	
Contracted services	4,010	4,010	—	
Increased direct costs, Components G4 through G7	4,010	4,010	—	
Total increased direct costs	27,194	27,194	—	
Indirect costs	6,420	6,420	—	
Total program costs	\$ 33,614	33,614	\$ —	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 33,614		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Total increased direct costs	\$ 476,318	\$ 441,746	\$ (34,572)	
Indirect costs	12,265	107,437	95,172	
Subtotal	488,583	549,183	60,600	
Less late claim penalty	(1,000)	(1,000)	—	
Subtotal	487,583	548,183	60,600	
Less allowable costs that exceed costs claimed ²	—	(60,600)	(60,600)	
Total program costs	\$ 487,583	487,583	\$ —	
Less amount paid by the State		(282,359)		
Allowable costs claimed in excess of (less than) amount paid		\$ 205,224		

¹ See the 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.

Findings and Recommendations

**FINDING 1—
Unallowable contracted
services costs**

The district claimed unallowable contracted services costs totaling \$34,572 for the audit period. The audit adjustment resulted from the following issues:

- The district claimed duplicate invoices for fiscal year (FY) 2002-03 and FY 2003-04 totaling \$14,594. This amount should have been claimed in FY 2002-03.
- The district claimed \$1,148 for FY 2003-04 which should have been claimed for FY 2002-03. The district also claimed \$1,526 for FY 2003-04 that should have been claimed for FY 2004-05.
- For FY 2002-03 and FY 2003-04 the district provided invoices that did not support the hours claimed for contracted services totaling \$18,452.

The following table summarizes the contracted services audit adjustment:

	Fiscal Year		Total
	2002-03	2003-04	
<u>Contracted Services</u>			
Component activities G1–G3:			
Duplicate invoices	\$ (3,416)	\$ —	\$ (3,416)
Incorrect fiscal year	1,148	(1,148)	—
Claimed hours not supported by invoices	(14,054)	(1,219)	(15,273)
Total, component activities G1–G3	(16,322)	(2,367)	(18,689)
Component activities G4–G7:			
Duplicate invoices	(11,178)	—	(11,178)
Incorrect fiscal year	—	(1,526)	(1,526)
Claimed hours not supported by invoices	(15,821)	12,642	(3,179)
Total, component activities G4–G7	(26,999)	11,116	(15,883)
Audit adjustment	\$ (43,321)	\$ 8,749	\$ (34,572)

The program’s parameters and guidelines state that the claimant must support the level of costs claimed and that the claimant will only be reimbursed for the “increased costs” incurred. Government Code section 17514 states that “costs mandated by the State” means any increased costs that a school district is required to incur.

Government Code section 17560 requires an annual reimbursement claim to detail the costs actually incurred for each fiscal year.

Recommendation

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

District’s Response

The district agreed with the audit finding.

**FINDING 2—
Allowable indirect costs**

The district understated allowable indirect costs by \$95,172 for the audit period.

The district did not provide documentation to explain how it calculated indirect cost rates for FY 2002-03 and FY 2003-04. We recalculated the indirect cost rates for FY 2002-03 and FY 2003-04 based on the State Controller’s Office’s (SCO) FAM-29C methodology.

In addition, the district applied its indirect cost rates to salaries and benefits. However, the FAM-29C methodology includes contract services in the base. Therefore, we applied the FAM-29C indirect cost rates to salaries and benefits, and contract services.

The following table summarizes the audited and claimed indirect rate:

	Fiscal Year	
	2002-03	2003-04
Allowable indirect cost rate	24.23%	24.55%
Less claimed indirect cost rate	(11.70)%	(22.72)%
Difference	<u>12.53%</u>	<u>1.83%</u>

The following table summarizes the understated indirect costs:

	Fiscal Year		Total
	2002-03	2003-04	
Total allowable increased direct costs	\$ 236,247	\$ 178,305	
Allowable indirect cost rate	× 24.23%	× 24.55%	
Allowable indirect costs	57,243	43,774	\$ 101,017
Less claimed indirect costs	(2,791)	(3,054)	(5,845)
Audit adjustment	<u>\$ 54,452</u>	<u>\$ 40,720</u>	<u>\$ 95,172</u>

The parameters and guidelines state:

Community College District must use one of the following three alternatives:

- A Federally-approved rate based on OMB Circular A-21;
- The State Controller’s FAM-29C which uses the CCFS-311; or
- Seven percent (7%)

Recommendation

We recommend that the district claim indirect costs based on indirect cost rates computed in accordance with the SCO’s claiming instructions.

District’s Response

The district agreed with the audit finding.

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

A World of Cultures
United in Learning



**Ohlone
Community
College District**

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July 28, 2008

Jim L Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
PO Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano

Ohlone Community College District is in receipt of the report dated July 2008. Included in this letter is the District response to the findings and the management representation letter.

District Response to Finding #1

The District concurs and will provide an additional level of review to ensure the accuracy of the claim process.

District Response to Finding #2

The District concurs and will utilize the SCO's FAM-29C or 7% flat rate as a source for calculating the indirect cost rate.

Sincerely,

Joanne Schultz,
Dean of Business Services

**State Controller's Office
Division of Audits
Post Office Box 942850
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<http://www.sco.ca.gov>