



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
PUBLIC EMPLOYMENT RELATIONS BOARD
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.21**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.21

FINANCIAL AUDIT REPORT
PUBLIC EMPLOYMENT RELATIONS BOARD
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.21

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits
the Auditor General's financial audit report of the Public
Employment Relations Board, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas;
Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

A handwritten signature in cursive script that reads "S. Floyd Mori".

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Public Employment Relations Board. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The board was initially created by Chapter 961 of the Statutes of 1975 and called the Educational Employment Relations Board. It was renamed the Public Employment Relations Board by Chapter 1159 of the Statutes of 1977. The board has jurisdiction over 450,000 school employees and 130,000 state civil service employees.

Under the Educational Employment Relations Act, the board is charged with supervising and regulating the meeting and negotiating process among California public school employers and employees. In addition, the State Employer-Employee Relations Act charges the board with regulating negotiations between California's civil service employees and the state employer.

The programs of the Public Employment Relations Board are supported by appropriations from the State's General Fund.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Public Employment Relations Board as of June 30, 1979 and the related statement of revenues, expenditures, and changes in operating clearing for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Public Employment Relations Board at June 30, 1979 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. VOSS
Assistant Auditor General

Date: March 15, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

PUBLIC EMPLOYMENT RELATIONS BOARD
 COMBINED BALANCE SHEET
 GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP

JUNE 30, 1979

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
<u>ASSETS</u>	<u>General</u>	<u>General Fixed Assets</u>	<u>June 30, 1979</u>
Cash	\$ 8,197	\$ --	\$ 8,197
Accounts receivable	25	--	25
Prepayments to other funds	21,330	--	21,330
Expense advances to employees	3,555	--	3,555
Equipment	<u>--</u>	<u>337,688</u>	<u>337,688</u>
Total Assets	<u>\$ 33,107</u>	<u>\$337,688</u>	<u>\$ 370,795</u>
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	<u>\$ 45,297</u>	<u>\$ --</u>	<u>\$ 45,297</u>
Encumbrances Outstanding	<u>89,575</u>	<u>--</u>	<u>89,575</u>
Fund Equity:			
Investments in fixed assets (Note 3)	--	337,688	337,688
Operating clearing (Note 5)	<u>(101,765)</u>	<u>--</u>	<u>(101,765)</u>
Total Fund Equity	<u>(101,765)</u>	<u>337,688</u>	<u>235,923</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 33,107</u>	<u>\$337,688</u>	<u>\$ 370,795</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC EMPLOYMENT RELATIONS BOARD
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN OPERATING CLEARING - BUDGET AND ACTUAL
 GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Note 2)			
Sale of documents	\$ --	\$ 10,045	\$(10,045)
Miscellaneous income	<u> --</u>	<u>10,019</u>	<u>(10,019)</u>
Total Revenues	<u> --</u>	<u>20,064</u>	<u>(20,064)</u>
Other Sources:			
Support appropriations	2,906,395	2,686,081	241,993
Miscellaneous adjustments (Note 4)	<u> --</u>	<u>16,569</u>	<u>(16,569)</u>
Total Other Sources	<u>2,906,395</u>	<u>2,702,650</u>	<u>225,424</u>
Total Revenues and Other Sources	<u>2,906,395</u>	<u>2,722,714</u>	<u>205,360</u>
Expenditures: (Note 2)			
Personal services	1,960,122	1,898,532	60,758
Operating expenses and equipment	769,323	678,953	91,202
Investigations - Educational Employment Relations Act	<u>176,950</u>	<u>70,500</u>	<u>106,450</u>
Total Expenditures	<u>2,906,395</u>	<u>2,647,985</u>	<u>258,410</u>
Excess of Revenues and other Sources over (under) Expenditures	<u>\$ --</u>	74,729	<u>\$ 74,729</u>
Other Uses:			
Intrafund transfers (Note 5)	<u> --</u>	<u>(21,678)</u>	<u>(21,678)</u>
Excess of Sources over (under) Expenditures and Other Uses	<u>\$ --</u>	53,051	<u>\$ 53,051</u>
Operating Clearing - July 1		<u>(154,816)</u>	
Operating Clearing - June 30		<u>\$ (101,765)</u>	

The notes to the financial statements are an integral part of this statement.

PUBLIC EMPLOYMENT RELATIONS BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Public Employment Relations Board. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type and an Account Group. The Public Employment Relations Board accounts for only its portion of the fund type category. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the Public Employment Relations Board is the General Fund which includes all financial resources accounted for by the board.

The General Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, including revenues, transfers, and reimbursements is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as

expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the board are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the board and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$244,111.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, except for those acquired under an installment purchase contract (as explained in Note 3), are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$141,939 during the fiscal year.

2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$69,124 at June 30, 1979; the balance represents unpaid amounts on installment purchase contracts that are payable over the next 48 months in equal monthly installments of \$1,608.40. These monthly installments include interest at 6.0 percent on the unpaid principal.

4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, and abatements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

5. OPERATING CLEARING AND INTRAFUND TRANSFERS

This account is the connecting link between the records of the various state agencies and the central fund accounts of the State Controller for the General Fund and other funds not accounted for entirely by one agency. The balance at June 30 represents the net assets and liabilities for which the Public Employment Relations Board is accountable.

Intrafund transfers are cash receipts representing revenues which the commission remitted to the State Treasury during the year.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the board and at the Department of General Services (which maintains the board's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the board's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the board in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The board generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps