

# **LOS ANGELES COUNTY OFFICE OF EDUCATION**

Audit Report

## **MIGRANT EDUCATION PROGRAM**

*July 1, 2013, through June 30, 2014*



**BETTY T. YEE**  
California State Controller

August 2016



**BETTY T. YEE**  
California State Controller

August 19, 2016

Veronica Aguila, Director  
California Department of Education  
English Learner Support Division  
Migrant Education Program  
1430 N Street, Suite 2204  
Sacramento, CA 95814-5901

Dear Ms. Aguila:

The State Controller's Office, pursuant to an Interagency Agreement with the California Department of Education, conducted an audit of the Los Angeles County Office of Education (COE) Migrant Education Program (MEP) for the period of July 1, 2013, through June 30, 2014.

The purpose of the audit was to determine whether the Los Angeles COE complied with the United States Department of Education Office of Migrant Education's MEP requirements; specifically, that the Los Angeles COE maintains proper internal controls to ensure that the program-related costs were incurred for eligible and approved increased costs, and the accounts and records substantiate that the funds were expended for allowable activities.

The audit determined that the Los Angeles COE maintains adequate internal controls to ensure MEP compliance and that MEP funds were expended for allowable, approved activities. However, the audit found that the Los Angeles COE lacked proper internal controls regarding the documentation of procuring a contracted service. The Los Angeles COE did not comply with state and federal procurement requirements for two of the sampled contracts, worth \$93,000. Therefore, we could not substantiate whether these MEP services were procured properly.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

Attachment

cc: Arturo Delgado, Superintendent  
Los Angeles County Office of Education  
Guadalupe Mendoza, Project Director III  
Los Angeles County Office of Education  
Kevin Chan, Director  
Audits and Investigations Division  
California Department of Education  
Celina Torres, Education Administrator I  
English Learner Support Division  
California Department of Education

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# Audit Report

## Summary

The State Controller’s Office (SCO) conducted an audit of the Los Angeles County Office of Education’s (COE) Migrant Education Program (MEP) for the period of July 1, 2013, through June 30, 2014.

The purpose of the audit was to determine whether the Los Angeles COE complied with the United States Department of Education Office of Migrant Education’s MEP requirements; specifically, that the Los Angeles COE maintains proper internal controls to ensure that program-related costs were incurred for eligible and approved costs, and that the accounts and records substantiate that the funds were expended for allowable activities.

The audit determined that the Los Angeles COE maintains adequate internal controls to ensure MEP compliance and that MEP funds were expended for allowable and increased costs. However, the audit found that the Los Angeles COE lacked proper internal controls regarding the documentation of procuring a contracted service. The Los Angeles COE did not comply with state and federal procurement requirements for two of the sampled contracts, worth \$93,000. Therefore, we could not substantiate whether these MEP services were procured properly.

## Background

The MEP is authorized under the federal “No Child Left Behind Act” and is funded by Title I, Part C, with the mission of providing supplementary services to ensure that migrant children meet the same academic standards that non-migrant children are expected to meet.

Funds support high-quality education programs for migrant children and help ensure that those children who relocate are not penalized in any manner by disparities among states in curriculum, graduation requirements, or state academic content and student academic achievement standards. Funds also ensure that migrant children are provided with appropriate education services (including supportive services) that address their special needs and that migrant students receive full and appropriate opportunities to meet the same state academic content and student academic achievement standards that non-migrant children are expected to meet. Federal funds are allocated by formula to state educational agencies, based on each state’s per-pupil expenditure for education and counts of eligible migrant children, ages 3 through 21, residing within the state.

The allowable MEP efforts are identified, formulated, and developed in concert with the California Department of Education (CDE) and the State’s 23 MEP regions/sub-grantees. The regions/sub-grantees include county offices of education and/or school districts. At the state level, the CDE also administers and monitors the federal pass-through funds for the MEP sub-grantees and recipients.

The Los Angeles COE is a region that provides, administers, and directly oversees 27 school districts, with 15 districts through District Service Agreements (DSA) and 12 districts through Memorandums of

Understanding (MOU). These sub-recipient districts are responsible for directly providing and administering MEP services to its students and are subject to regional oversight. The region funds a consortium of school districts, typically with an enrollment of fewer than 200 migrant students, in which MEP services are provided through an MOU. The region and sub-recipient districts offer migrant instructional services to eligible migrant students through various extended day settings: after school instruction, Saturday school, summer school, etc. These services are offered to provide instructional support to meet the unique needs to migrant students.

The Office of Migrant Education conducted a review of the MEP program and issued the review in September 2011. The California State Auditor audited the administration of the federally-funded MEP administered by the CDE and issued its audit report in February 2013. The reviews did not identify any specific administrative oversight concerns of the region or its sub-recipients.

The CDE requested that the SCO assess administrative oversight efforts<sup>1</sup> and conduct this performance audit of the MEP sub-grantees.

The SCO's authority to conduct this audit is given by:

- Interagency Agreement No. CN 140308 effective February 1, 2015, between the SCO and the CDE, which provides that the SCO will conduct an independent management review of the CDE's administrative oversight efforts, including technical assistance provided to MEP sub-grantees, and an independent management review of MEP sub-grantee fiscal administrative and reporting practices over MEP funding.
- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment ...."

## **Objectives, Scope, and Methodology**

The purpose of the audit was to determine whether the Los Angeles COE complied with the federal MEP requirements; specifically, that the Los Angeles COE maintains proper internal controls to ensure that the region's efforts and program-related costs were incurred for eligible and approved MEP program activities, and that accounting records and source documents substantiate that the MEP funds were expended for approved allowable activities for the audit period of July 1, 2013, through June 30, 2014.

Audit methodologies included, but were not limited to the following:

- Reviewing applicable state and federal requirements related to the MEP, including the California MEP Fiscal Handbook, 2007;

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<sup>1</sup> This assessment will be covered in a separate management letter to the CDE.

- Reviewing prior audits and single audit reports, and written policies and procedures relating to the MEP;
- Reviewing the MEP regional application, and budget and quarterly expenditure reports;
- Conducting inquiries with personnel, and reviewing and assessing related internal controls; and
- Obtaining and reviewing supporting documentation to ensure that MEP expenditures for costs were necessary, reasonable, and allowable.

We conducted this performance 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.

## **Conclusion**

The audit determined that the Los Angeles COE maintains adequate internal controls to ensure MEP compliance and that MEP funds were expended for allowable activities. However, the audit found that the Los Angeles COE lacked proper internal controls regarding the documentation of procuring a contracted service. The Los Angeles COE did not comply with state and federal procurement requirements for two of the sampled contracts, worth \$93,000. Therefore, we could not substantiate whether these MEP services were procured properly.

## **Views of Responsible Official**

We conducted an exit conference on July 7, 2016, and discussed our audit results with the representatives of the Los Angeles COE. Guadalupe Mendoza, Project Director III, agreed with our finding and stated that the Los Angeles COE has implemented additional procedures to its current procurement procedures.

## **Restricted Use**

This report is solely for the information and use of the Los Angeles COE, the United States Department of Education, the CDE, and the SCO. It is not intended to be and should not be used by anyone other than these specified parties. The restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

August 19, 2016

**Schedule 1—  
Summary of Reported, Audited, and Questioned Costs  
July 1, 2013, through June 30, 2014 (includes 5<sup>th</sup> Quarter\*)**

Object Code	Description	Reported/Audited Costs	Allowable Costs	Questioned Costs	Reference
<b>Certificated Personnel Salaries</b>					
1100	Teachers	\$ 1,813,194.34	\$ 1,813,194.34	\$ -	
1200	Pupil Support Services	96,423.08	96,423.08	-	
1300	Supervisor/Administrators	895,753.00	895,753.00	-	
1900	Other Certificated Salaries	193,288.60	193,288.60	-	
	<b>Subtotal</b>	<b>\$ 2,998,659.02</b>	<b>\$ 2,998,659.02</b>	<b>\$ -</b>	
<b>Classified Salaries</b>					
2100	Instructional Aides	\$ 194,743.72	\$ 194,743.72	\$ -	
2200	Support Services Salaries	232,885.52	232,885.52	-	
2300	Supervisor/Administrators	-	-	-	
2400	Clerical, Technical and Office Staff	535,849.64	535,849.64	-	
2900	Other Classified Salaries	704,843.95	704,843.95	-	
	<b>Subtotal</b>	<b>\$ 1,668,322.83</b>	<b>\$ 1,668,322.83</b>	<b>\$ -</b>	
<b>Benefits</b>					
3000-3900	Employee Benefits	\$ 1,144,215.53	\$ 1,144,215.53	\$ -	
	<b>Subtotal</b>	<b>\$ 1,144,215.53</b>	<b>\$ 1,144,215.53</b>	<b>\$ -</b>	
<b>Books and Supplies:</b>					
4100	Textbooks Curricula Materials	\$ -	\$ -	\$ -	
4200	Books & Reference Materials	56,995.41	56,995.41	-	
4300	Materials & Supplies	235,383.95	235,383.95	-	
4400	Noncapitalized Equipment	55,306.77	55,306.77	-	
4700	Food	29,870.67	29,870.67	-	
	<b>Subtotal</b>	<b>\$ 377,556.80</b>	<b>\$ 377,556.80</b>	<b>\$ -</b>	
<b>Services and Other Operating Expenditures</b>					
5100	Subagreements for Services	\$ -	\$ -	\$ -	
5200	Travel & Conference	117,937.30	117,937.30	-	
5300	Dues & Memberships	-	-	-	
5400	Insurance	399.00	399.00	-	
5500	Operations & Housekeeping Services	-	-	-	
5600	Rentals, Leases, Repairs & Noncapitalized Improvements	11,476.81	11,476.81	-	
5700	Transfers of Direct Costs	103,347.83	103,347.83	-	
5800	Professional and Consulting Services and Expenses	875,477.64	782,477.64	93,000.00	Finding 1
5900	Communications	15,848.40	15,848.40	-	
	<b>Subtotal</b>	<b>\$ 1,124,486.98</b>	<b>\$ 1,031,486.98</b>	<b>\$ 93,000.00</b>	
<b>Capital Outlay</b>					
6000	CAPITAL OUTLAY	\$ -	\$ -	\$ -	
	<b>SUBTOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
	<b>Subtotal</b>	\$ 7,313,241.16	\$ 7,220,241.16	\$ 93,000.00	
	<b>Indirect Cost</b>	418,773.14	418,773.14	-	
	<b>Total**</b>	<b>\$ 7,732,014.30</b>	<b>\$ 7,639,014.30</b>	<b>\$ 93,000.00</b>	

\*Note: The 5<sup>th</sup> Quarter is the first quarter of the following fiscal year, during which the region is allowed to spend the funds that were not spent in the current fiscal year.

# Finding and Recommendation

## **FINDING 1— Lack of adherence to procurement requirements**

In reviewing the Los Angeles COE’s procurement activities for three sampled contracts—University of California Riverside, Martha Gonzalez, and Dr. Randall Niederkohr—worth \$94,500, we determined that two of the sampled contracts did not follow procurement requirements set forth in the California MEP Fiscal Handbook, 2007 and the criteria set forth in Title 34, *Code of Federal Regulations*, section 80.36 (34 CFR 80.36) in regards to its procurement activities. We noted the following:

- The Los Angeles COE did not appear to perform a cost or price analysis, including making independent estimates before receiving proposals.
- The Los Angeles COE lacked maintenance of records sufficient to detail the significant history of a procurement, including the rationale for the method of procurement; selection of contract type, price, or rate quotations from an adequate number of qualified sources; contractor selection or rejection; a cost or price analysis; and the basis for the contract price.

Therefore, we could not determine if these MEP services were procured properly.

34 CFR 80.36 (b) (9) states:

Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

34 CFR 80.36 (f), states, in part:

Contract cost and price. (1) Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals....

### Recommendation

In order to ensure adherence to the standards as prescribed by federal and state laws and regulations, the Los Angeles COE should improve its current procurement procedures and practices to include the following:

- Maintain records sufficient to detail the history of procurement, including the rationale for the method of procurement, selection of contract type, and contractor selection or rejection.
- A cost or price analysis in connection with every procurement action

Furthermore, the Los Angeles COE should consult with the CDE to make a determination of the \$93,000 in questioned MEP costs.

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