

# **BAKERSFIELD CITY SCHOOL DISTRICT**

Audit Report

## **MIGRANT EDUCATION PROGRAM**

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



**BETTY T. YEE**  
California State Controller

August 2015



**BETTY T. YEE**  
California State Controller

August 7, 2015

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

Dear Ms. Aguilar:

The State Controller's Office (SCO), pursuant to an Interagency Agreement with the California Department of Education (CDE), conducted an audit of the Bakersfield City School District's 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 district complied with the United States Department of Education Office of Migrant Education's MEP requirements; specifically, that the district 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 these allowable increased costs.

The audit determined that the district maintains adequate internal controls to ensure MEP program compliance and that MEP funds were expended for allowable, approved, and increased costs. However, the district should strengthen the internal control standards for program-related procurements of less than \$84,100. The district maintains proper internal controls to ensure proper separation of duties for approving selected vendor and vendor services; however, there is a lack of policies, procedures, and formalized processes for identifying qualified vendors. The MEP's director has the sole responsibility of screening and selecting the qualified vendors. Implementing policies and segregating responsibilities for identifying qualified vendors will strengthen the district's compliance with MEP guidelines.

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

Veronica Aguilar, Director

-2-

August 7, 2015

JVB/lis

Attachment

cc: Celina Torres, Education Administrator I  
English Learner Support Division  
California Department of Education  
Robert J. Arias, Ed.D, Superintendent  
Bakersfield City School District

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# Audit Report

## Summary

The State Controller's Office (SCO), conducted an audit of the Bakersfield City School District's 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 district complied with the United States Department of Education Office of Migrant Education's (OME) MEP requirements; specifically, that the district 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 these allowable increased costs.

We determined that the district maintains adequate internal controls to ensure MEP program compliance and that MEP funds were expended for allowable, approved, and increased costs. However, the district should strengthen the internal control standards for program-related procurements of less than \$84,100. The district maintains proper internal controls to ensure proper separation of duties for approving selected vendor and vendor services; however, there is a lack of policies, procedures, and formalized processes for identifying qualified vendors. The MEP's director has the sole responsibility of screening and selecting the qualified vendors. Implementing policies and segregating responsibilities for identifying qualified vendors will strengthen the district's compliance with MEP guidelines.

## Background

The Migrant Education Program is authorized under the No Child Left Behind Act (NCLB) 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 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 29 MEP Regions/Subgrantees. The Regions/Subgrantees include county offices of education and or school districts. At the state level, the CDE also administers and monitors the federal pass-through MEP funds for the MEP subgrantees and recipients.

The district is a school district subgrantee that administers the migrant program and is directly funded, therefore the district is not subject to regional office oversight. The district offers migrant program services during the regular school year, including supplementary instructional services (after regular school day and/or weekends), site-based pre-school program, parent involvement/training, educational study trips, family literacy, and vision clinics. During summer school, migrant program services include educational study trips, family literacy, student leadership program, parent involvement/training, dental clinics, and vision clinics.

The OME conducted a review of the migrant program and issued the review in September 2011, and the California State Auditor (CSA) audited the administration of the federally funded migrant education program administered by the CDE and issued its audit report in February 2013. The reviews did not identify any specific administrative oversight concerns of the Bakersfield City School District.

As a result of these reviews, the CDE requested that the SCO assess its administrative oversight efforts<sup>1</sup> and conduct this performance audit of the MEP subgrantees.

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 subgrantees, and an independent management review of MEP subgrantee 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 district complied with the OME MEP requirements; specifically, that the district maintains proper internal controls to ensure that the district'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 increased costs for the audit period of July 1, 2013, through June 30, 2014.

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

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

- Reviewed applicable state and federal requirements related to the MEP, including the California Migrant Education Program Fiscal Handbook (Guideline);
- Reviewed prior audits and single audit reports, and written policies and procedures relating to the district's MEP;
- Reviewed the district's MEP regional application, and budget and quarterly expenditure reports;
- Conducted inquiries with district personnel, and reviewed and assessed related internal controls; and
- Obtained and reviewed supporting documentation to ensure that MEP expenditures for increased 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**

We determined that the district maintains adequate internal controls to ensure MEP program compliance and that MEP funds were expended for program-related allowable, approved, and increased costs. However, the district should strengthen the internal control standards for program-related procurements of less than \$84,100. The district maintains proper internal controls to ensure proper separation of duties for approving selected vendors and authorizing/approving vendor services; however, the district lacks policies, procedures, and formalized processes for identifying qualified vendors. The MEP's director has the sole responsibility of screening and selecting the qualified vendors. Implementing policies and segregating responsibilities for identifying qualified vendors will strengthen the district's compliance with MEP guidelines.

## **Views of Responsible Officials**

We issued a draft report on July 17, 2015. The district acknowledged our finding, and has indicated that they have implemented our recommendation. They stated that they have issued a memorandum to implement standards for procurement of program-related costs.

**Restricted Use**

This report is solely for the information and use of the Bakersfield City School District, the United States Department of Education, the California Department of Education, 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 7, 2015

**Schedule 1—  
Summary of Claimed Costs  
July 1, 2013, through June 30, 2014**

<b>Account (Object) Code</b>	<b>Account Description</b>	<b>Reported and Audited</b>	
	<b>Certificated Personnel Salaries</b>		
1100	Teachers	\$ 389,437	
1300	Supervisors/administrators	99,092	
1900	Other certificated personnel	164,288	
			652,817
	<b>Classified Personnel Salaries</b>		
2100	Instructional aides	6,671	
2200	Support services salaries	6,649	
2400	Clerical, technical, and office staff	67,833	
2900	Other classified personnel	120,220	
			201,373
	<b>Benefits</b>		
3000- 3900	Employee benefits		258,513
	<b>Books and Supplies:</b>		
4200	Books and reference materials	9,377	
4300	Materials and supplies	53,991	
			63,368
	<b>Services and Other Operating Expenditures</b>		
5200	Travel and conferences	27,241	
	Rentals, leases, repairs and non-capitalized improvement	3,992	
5600		3,992	
5700	Transfer of direct salaries	38,979	
	Professional/consulting services and operating expenses	179,604	
5800		179,604	
5900	Communication	1,767	
			251,583
	<b>Subtotal</b>		1,427,654
	<b>Indirect Costs</b>		57,534
	<b>Grand Total</b>		\$ 1,485,188

# Finding and Recommendation

## **FINDING — Need to strengthen procurement practices**

We reviewed the Bakersfield City School District’s Migrant Education Program (MEP) contracting and procurement procedures in order to determine whether its procedures prohibit conflict of interest situations and non-arm’s length transactions, and ensure proper bidding and contract awards. We noted that the district maintains a Conflict of Interest Code in its Bylaws of the Board of Education, and its procedures prohibit an employee from performing consultant services in the same calendar year in which they receive wages from the district. However, the district’s procedures do not address restrictions on other forms of related-party conflicts of interest, such as selecting a vendor who is a family member.

The district should strengthen the internal control standards for program-related procurements of less than \$84,100. While the district has proper safeguards for approving MEP vendors and authorizing payments for services, such as dental services, the MEP’s Director has the sole responsibility of recommending the most qualified vendors. We noted the following:

- The district does not appear to obtain price or rate quotations from an adequate number of qualified sources. The district lacks written criteria for reviewing proposals and assessing the technical qualifications of contracted personnel.
- The district does not perform a cost or price analysis with every purchase procurement of less than \$84,100, including making independent estimates before receiving proposals.
- The district does not maintain detailed vendor selection records of the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

The internal control standards for vendor selection can be strengthened by implementing policies, procedures, and guidelines and segregating the vendor selection tasks. Doing so will enable the district to uniformly apply and assess procedures for vendor selections.

We acknowledge that some vendors provide unique and specific MEP services that often preclude the district from obtaining price or rate quotations from multiple sources or reviewing multiple proposals. In order for the district to adhere to applicable federal criteria, it should incorporate noncompetitive procurements into its policies, procedures, and guidelines for vendor selection.

Title 2, *Code of Federal Regulations*, Part 200.303, Internal Controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award....

Title 34, *Code of Federal Regulations* (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(c) states, in part:

Competition (1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of section 80.36.... (3) Grantees will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations: (i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use.... (ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

34 CFR 80.36(d)(1) states:

Methods of procurement to be followed- (1) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403 (11) (currently set at \$100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

34 CFR 80.36(d)(4) states, in part:

Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

(i) Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

- (A) The item is available only from a single source;
- (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (C) The awarding agency authorizes noncompetitive proposals; or
- (D) After solicitation of a number of sources, competition is determined inadequate.

34 CFR 80.36(f)(1) states:

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. A cost analysis must be performed when the offeror is required to submit the elements of his estimated cost, e.g., under professional, consulting, and architectural engineering services contracts. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or based on prices set by law or regulation. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

### Recommendation

We recommend that the district implement policies and procedures to ensure proper and uniform application and assessment of vendor selections. Implementing policies and segregating responsibilities for identifying qualified vendors will strengthen the district's compliance with MEP guidelines. To ensure proper vendor qualification and rating, we recommend that the district:

- Implement standards for identifying, avoiding, and reporting conflicts of interest in procuring goods and services.
- Obtain price or rate quotations from an adequate number of qualified sources.
- Establish written criteria for reviewing proposals and assessing the technical qualifications of contracted personnel.
- Maintain records sufficient to detail the history of procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, a cost or price analysis, and the basis for the contract price.
- Adhere to applicable federal criteria regarding a noncompetitive procurement.

### District's Response

The District strives to continuously improve the operations of its Migrant Education Program and has addressed the recommendations in the report as indicated below:

In order to strengthen the District's compliance with MEP guidelines and to ensure proper vendor qualification and rating, District management has issued a memorandum to the District's Migrant Regional Director, to implement standards for the following procedures:

1. Identifying, avoiding and reporting conflicts of interest in procuring goods and services.

2. Obtaining price or rate quotations from an adequate number of qualified sources.
3. Establishing written criteria for reviewing proposals and assessing the technical qualifications of contracted personnel.
4. Maintaining records sufficient to detail the history of procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, a cost or price analysis, and the basis for the contract price.
5. Adhering to applicable federal criteria regarding a noncompetitive procurement.

SCO's Comments

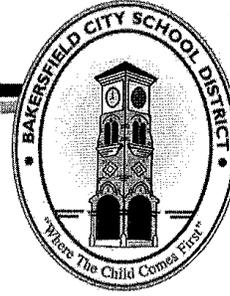
The district acknowledged our finding, and has indicated that they have implemented our recommendation. They stated that they have issued a memorandum to implement standards for procurement of program-related costs.

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

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# Bakersfield City School District

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Bakersfield, CA 93305-4399  
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Robert J. Arias, Ed.D.  
SUPERINTENDENT

July 31, 2015

Mr. Andrew Finlayson, Chief  
State Agency Audits Bureau  
State Controller's Office, Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Dear Mr. Finlayson:

Subject: Response to the Draft Report titled, "Bakersfield City School District Audit Report - Migrant Education Program (July 1, 2013, through June 30, 2014), issued in July 2015

The Bakersfield City School District (District) appreciates the opportunity to provide written comments to the Draft Report, which was received by the District on July 17, 2015.

The District is pleased that the audit determined that the District maintains adequate internal controls to ensure Migrant Education Program (MEP) compliance, and that MEP funds were expended for program-related allowable, approved and increased costs. In addition, the audit determined that the District maintains proper internal controls to ensure proper separation of duties for approving selected vendors and authorizing/approving of vendor services.

The District strives to continuously improve the operations of its Migrant Education Program and has addressed the recommendations in the report as indicated below:

In order to strengthen the District's compliance with MEP guidelines and to ensure proper vendor qualification and rating, District management has issued a memorandum to the District's Migrant Regional Director, to implement standards for the following procedures:

1. Identifying, avoiding and reporting conflicts of interest in procuring goods and services.
2. Obtaining price or rate quotations from an adequate number of qualified sources.
3. Establishing written criteria for reviewing proposals and assessing the technical qualifications of contracted personnel.
4. Maintaining records sufficient to detail the history of procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, a cost or price analysis, and the basis for the contract price.
5. Adhering to applicable federal criteria regarding a noncompetitive procurement.

Letter to Mr. Andrew Finlayson, Chief, State Agency Audits Bureau  
July 31, 2015  
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Thank you again for the opportunity to provide a written response to the draft audit report of the District's Migrant Education Program.

Sincerely,



Robert J. Arias, Ed.D.  
Superintendent  
Bakersfield City School District

RJA:ld

cc: Ms. Celina Torres, Administrator, English Learner Support Division, CDE  
Ms. Noelia Hernandez, Education Program Consultant, CDE  
Ms. Jan Gotto, Audit Manager, State Controller's Office  
Dr. Aida Molina, Assistant Superintendent, AIA, BCSD  
Mr. Mark Luque, Director, Curriculum & Standards, BCSD  
Mrs. Janie Flores, Supervisor, Migrant Education Program, BCSD  
Mr. Steve McClain, Chief Business Official, BCSD  
Mrs. Sherry Gladin, Director, Fiscal Services, BCSD  
Mrs. Natalie Sorhouet, Assistant Director, Fiscal Services, BCSD

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