

# **SAN JOAQUIN COUNTY OFFICE OF EDUCATION**

Audit Report

## **MIGRANT EDUCATION PROGRAM (MEP)**

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



**BETTY T. YEE**  
California State Controller

April 2016



**BETTY T. YEE**  
**California State Controller**

April 15, 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 (CDE), conducted an audit of the San Joaquin County Office of Education Migrant Education Region'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 San Joaquin COE complied with the United States Department of Education Office of Migrant Education's MEP requirements; specifically, that the 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 increased costs.

The audit determined that the region maintains adequate internal controls, except in one area, to ensure MEP compliance and that MEP funds were expended for allowable and increased costs. The region lacked proper internal controls regarding the documentation of procuring a contracted service, and the region did not comply with state and federal procurement requirements for MEP service contracts.

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/as

Attachment

cc: James A. Mousalimas, Superintendent  
San Joaquin County Office of Education  
Manuel Nunez, Director  
San Joaquin 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

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objectives, Scope, and Methodology .....</b>	<b>2</b>
<b>Conclusion .....</b>	<b>3</b>
<b>Views of Responsible Official .....</b>	<b>3</b>
<b>Restricted Use .....</b>	<b>4</b>
<b>Schedule 1—Summary of Reported, Audited, and Questioned Costs .....</b>	<b>5</b>
<b>Finding and Recommendation .....</b>	<b>6</b>

# Audit Report

## Summary

The State Controller's Office (SCO) conducted an audit of the San Joaquin 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 COE complied with the United States Department of Education Office of Migrant Education's (OME) MEP requirements; specifically, that the 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 increased costs.

The audit determined that the region maintains adequate internal controls, except in one area, to ensure MEP compliance and that MEP funds were expended for allowable and increased costs. The region lacked proper internal controls regarding the documentation of procuring a contracted service, and the region did not comply with state and federal procurement requirements for MEP service contracts.

## Background

The Migrant Education Program 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 San Joaquin COE is a region that provides, administers, and directly oversees ten school districts, with five districts through District Service Agreements (DSA) and five districts through Memoranda 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 may also fund 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 schools, summer school, etc. Other migrant services include conducting a variety of workshops to meet the health and social service needs of migrant students, as well as establishing contacts with providers to connect parents with resources.

The OME 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 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 region or its subrecipients.

The CDE requested that the SCO assess 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 COE complied with the federal MEP requirements; specifically, that the 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 increased costs for the audit period of July 1, 2013, through June 30, 2014.

---

<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:

- Reviewing applicable state and federal requirements related to the MEP, including the California Migrant Education Program Fiscal Handbook;
- 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 region maintains adequate internal controls, except in one area, to ensure MEP compliance and that MEP funds were expended for allowable and increased costs. The region lacked proper internal controls regarding the documentation of procuring a contracted service, and the region did not comply with state and federal procurement requirements for MEP service contracts.

## **Views of Responsible Officials**

We conducted an exit conference on March 16, 2016, and discussed our audit results with representatives of the San Joaquin County Office of Education and the region. Manuel Nunez, Director, agreed with our finding.

## **Restricted Use**

This report is solely for the information and use of the San Joaquin County Office of Education, 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

April 15, 2016

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

<b>Object Code</b>	<b>Description</b>	<b>Region</b>	<b>District</b>	<b>Total Costs</b>	<b>Audited Costs</b>
<b>Certificated Personnel Salaries</b>					
1100	Teachers	\$ 112,096	\$ 253,927	\$ 366,023	\$ 366,023
1200	Pupil Support Services	\$ -	\$ -	\$ -	\$ -
1300	Supervisor/Administrators	\$ 258,344	\$ 12,195	\$ 270,539	\$ 270,539
1900	Other Certificated Salaries	\$ -	\$ -	\$ -	\$ -
	<b>Subtotal</b>	<b>\$ 370,440</b>	<b>\$ 266,122</b>	<b>\$ 636,562</b>	<b>\$ 636,562</b>
<b>Classified Salaries</b>					
2100	Instructional Aides	\$ -	\$ 27,466	\$ 27,466	\$ 27,466
2200	Support Services Salaries	\$ -	\$ 8,042	\$ 8,042	\$ 8,042
2300	Supervisor/Administrators	\$ 146,909	\$ -	\$ 146,909	\$ 146,909
2400	Clerical, Technical and Office Staff	\$ 201,972	\$ 57,671	\$ 259,643	\$ 259,643
2900	Other Classified Salaries	\$ 1,160,257	\$ 2,344	\$ 1,162,602	\$ 1,162,602
	<b>Subtotal</b>	<b>\$ 1,509,138</b>	<b>\$ 95,523</b>	<b>\$ 1,604,662</b>	<b>\$ 1,604,662</b>
<b>Benefits</b>					
3000-3900	Employee Benefits	\$ 741,903	\$ 42,874	\$ 784,778	\$ 784,778
	<b>Subtotal</b>	<b>\$ 741,903</b>	<b>\$ 42,874</b>	<b>\$ 784,778</b>	<b>\$ 784,778</b>
<b>Books and Supplies</b>					
4100	Textbooks Curricula Materials	\$ -	\$ -	\$ -	\$ -
4200	Books & Reference Materials	\$ 13,188	\$ -	\$ 13,188	\$ 13,188
4300	Materials & Supplies	\$ 29,838	\$ 35,166	\$ 65,004	\$ 65,004
4400	Noncapitalized Equipment	\$ 253	\$ -	\$ 253	\$ 253
4700	Food	\$ -	\$ -	\$ -	\$ -
	<b>Subtotal</b>	<b>\$ 43,279</b>	<b>\$ 35,166</b>	<b>\$ 78,445</b>	<b>\$ 78,445</b>
<b>Services and Other Operating Expenditures</b>					
5100	Subagreements for Services	\$ -	\$ -	\$ -	\$ -
5200	Travel & Conference	\$ 95,944	\$ -	\$ 95,944	\$ 95,944
5300	Dues & Memberships	\$ -	\$ -	\$ -	\$ -
5400	Insurance	\$ 5,382	\$ -	\$ 5,382	\$ 5,382
5500	Operations & Housekeeping Services	\$ 7,166	\$ -	\$ 7,166	\$ 7,166
5600	Rentals, Leases, Repairs & Noncap Imp	\$ 50,640	\$ 1,784	\$ 52,424	\$ 52,424
5700	Transfers of Direct Costs	\$ 26,143	\$ 17,110	\$ 43,253	\$ 43,253
5800	Prof/Cons/Serv & Operating Exp.	\$ 69,760	\$ 318,276	\$ 388,036	\$ 388,036
5900	Communications	\$ 17,665	\$ -	\$ 17,665	\$ 17,665
	<b>Subtotal</b>	<b>\$ 272,700</b>	<b>\$ 337,170</b>	<b>\$ 609,870</b>	<b>\$ 609,870</b>
	<b>Subtotal</b>	<b>\$ 2,937,460</b>	<b>\$ 776,856</b>	<b>\$ 3,714,317</b>	<b>\$ 3,714,317</b>
	<b>Indirect Cost</b>	<b>\$ 282,609</b>	<b>\$ 52,483</b>	<b>\$ 335,092</b>	<b>\$ 335,092</b>
	<b>Total</b>	<b>\$ 3,220,069</b>	<b>\$ 829,338</b>	<b>\$ 4,049,409</b>	<b>\$ 4,049,409</b>

\*Note: The 5<sup>th</sup> Quarter is the first quarter of a subsequent fiscal year, during which the COE is allowed to spend MEP funds that were not expended in the preceding fiscal year.

# Finding and Recommendation

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

In reviewing the region's procurement activities, we determined that it did not follow procurement requirements set forth in the 2007 MEP Fiscal Handbook 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 that the region:

- Did not obtain price or rate quotations from an adequate number of qualified sources;
- Did not perform a cost or price analysis, including making independent estimates before receiving proposals; and
- 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. We acknowledge that some vendors provide unique and specific MEP services that often preclude the region from obtaining price or rate quotations from multiple sources or reviewing multiple proposals. To adhere to applicable federal criteria, the region should incorporate noncompetitive procurement into its policies, procedures, and guidelines for vendor selection.

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) (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), 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 region 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.
- Maintain a cost or price analysis in connection with every procurement action.
- Establish written criteria for reviewing proposals and assessing the technical qualifications of contracted personnel.
- Obtain price or rate quotations from an adequate number of qualified sources.
- Adhere to applicable federal criteria regarding a noncompetitive procurement.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**