FACT SHEET

ELAINE M. HOWLE
State Auditor

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California Children and Families Commission

Its Poor Contracting Practices Resulted in Questionable and Inappropriate Payments to Contractors and Violations of State Law and Policies

BACKGROUND

In November 1998 the voters approved Proposition 10, the California Children and Families Act of 1998 (Act), to create a system of information and services to enhance optimal early childhood development and to ensure that children are ready to start school. The Act established the California Children and Families Program (Children and Families Program) to promote, support, and improve the early development of children, prenatal to age five. To fund the Children and Families Program, the Act added a tax of 50 cents per pack on cigarettes and other tobacco products. The Act also created the California Children and Families Commission (state commission) to serve as lead agency. It receives 20 percent of the Proposition 10 tax revenue to provide technical assistance to the county commissions, conduct research and evaluations, manage public media campaigns, develop infrastructure, and administer statewide initiatives.

KEY FINDINGS

Our review of the state commission's spending practices and contracting procedures from fiscal years 1999–2000 to 2005–06 revealed the following:

State Public Contracting Law and Policy Issues:

For three contracts valued at more than $47.7 million, where the state commission received less than three bids in response to a call for bids, the state commission, although meeting minimum requirements put forth by the Department of General Services, did not ensure the best interests of the State by failing to perform an adequate cost analysis that justified the award of those contracts.

Although it met the threshold for justifying the noncompetitive process, the state commission was unsuccessful in ensuring the best interests of the State by failing to provide sufficient noncompetitive (sole source) justification for awarding one $3 million contract and six amendments totaling $27.6 million.

The state commission intentionally used some memorandums of understanding with counties to avoid having to comply with state contracting requirements related to competitive bidding.

The state commission did not always ensure that its interagency agreements met the state requirement for using subcontractors when the total of the subcontract was over $50,000, or 25 percent of the total contract. It also agreed to pay $1.2 million more than it should have for administrative overhead because it did not follow state policy that limits such payments.

Contract Management:

Although some contracts contained terms designed to protect the State's best interest, it failed to enforce these terms when managing the contract by:

Paying invoices from one of its media contractors, which totaled $673,000, for fees and expenses that were prohibited under the payment terms of the contract.

Showed lax and inconsistent management of contracts by (1) not fully using terms available to ensure its contractors provided appropriate services, such as including clear and complete descriptions of work to be performed and detailed cost proposals in its contracts, and (2) not consistently demonstrating that it had reviewed and approved final written subcontracts and subcontractors' conflict-of-interest certifications.

Use of Public Funds for Media Campaigns:

The state commission had clear authority to conduct advertising campaigns relating to preschool. The advertisements and their timing were consistent with the legal restrictions on the use of public funds.

The state commission did not contribute any public funds to campaign accounts used to support the various ballot measures that pertained to preschool or that would have impacted the state commission's funding.

Its payments for the services of three individuals who worked for the media contractor were generally consistent with the restrictions related to the use of public funds for political advocacy. However, for a period of almost four months in 2004, the state commission could not demonstrate that these payments were consistent with these restrictions.

Contact: ELAINE M. HOWLE **Telephone:** (916) 445-0255 **Internet:** www.bsa.ca.gov

Bureau of State Audits 555 Capitol Mall, Suite 300 Sacramento, California 95814