

GRANT JOINT UNION HIGH SCHOOL DISTRICT

It Needs to Improve Controls Over Operations and Measure the Effectiveness of Its Title I Program

REPORT NUMBER 99130, JUNE 2000

Audit Highlights . . .

Our review of Grant Joint Union High School District's (Grant) administrative practices revealed that it:

- Did not obtain the board of trustees' advance approval for certain contracts, although state law and board policy require it to do so.***
- Does not have sufficient controls over contracts initiated by its legal counsel.***
- Lacks an adequate system to track and safeguard its current inventory totaling more than \$32 million.***
- Allowed several employees to remain on paid administrative leave for an extended time without always acting promptly to complete the personnel actions being taken against them.***

Moreover, in the past, Grant has not consistently measured whether its Title I, Part A, of the Elementary and Secondary Education Act program is effective.

The Joint Legislative Audit Committee requested that we conduct a comprehensive audit of the Grant Joint Union High School District (Grant) based on concerns that Grant is mismanaged and does not spend funds appropriately. Particular concerns were expressed regarding whether Grant appropriately spent federal funds for its Title I, Part A, of the Elementary and Secondary Act (Title I) program. Grant serves approximately 11,600 students, mainly in north Sacramento County. This report focused primarily on Grant's administrative practices, rather than on any actions it was taking to improve its educational programs. For the areas we reviewed, we found that generally Grant was managed properly and spent funds appropriately. However, it could improve its administrative practices in several areas. Specifically, we found:

Finding #1: Grant's policies do not require the board of trustees (board) to approve certain contracts and purchases in advance.

During 1999, Grant did not submit certain contracts and purchases to the board in advance for approval in three types of circumstances. First, although some members expressed concern that the board was not involved in certain expenditure decisions, board policy requires that it approve only certain types of contracts and purchases in advance. Second, Grant did not obtain board approval for some purchases because it interpreted board policy as not requiring such approval. Finally, Grant failed to obtain the board's approval for other contracts, even though state law or board policy require it. As a result, the board is not involved in any meaningful way with some purchasing and contracting decisions.

We recommended that the board clarify and review its existing policies, decide on the extent to which it desires to be involved in and informed of contracts and purchases, and revise its policies to

meet those expectations. In addition, we recommended that Grant ensure it follows its own policies and state law for obtaining board approval.

Grant Action: Partial corrective action taken.

Grant states that it has clarified procedures in this area and has fully implemented controls over contracts. However, Grant did not specifically address whether the board clarified and reviewed its existing policies. According to Grant, the board now approves all contracts. Specifically, Grant indicated that all first time contracts and any project requiring a contract are preapproved by the board. If the board approves a project, approves the basic parameters for the contract, and authorizes staff to proceed, then a contract is developed based on those parameters, and is signed and ratified by the board.

Finding #2: Grant did not always use a competitive process when required.

Grant sometimes failed to use a competitive process when required by state law and board policies. We found that Grant made three purchases totaling \$212,000 in 1999 that should have been bid competitively. Grant failed to use a competitive process for two of the purchases because its purchasing department does not have a procedure to detect orders that it should combine. Grant also did not always follow its own internal written policy for obtaining quotes when it purchases goods and services that do not require formal competitive bidding. As a result, Grant cannot ensure that it received the best value for these purchases.

We recommended that Grant implement procedures to ensure the purchasing department reviews purchases and combines orders when appropriate and submits purchases above the established threshold to a competitive bidding process. In addition, Grant should competitively bid all purchases and contracts required by state law and the board's policies. Finally, Grant should obtain quotes for purchases not requiring competitive bidding in accordance with its internal policies.

Grant Action: Corrective action taken.

Grant notes that it has codified our recommendations in this area into its administrative regulations and has fully implemented them.

Finding #3: Grant has not developed policies for its use of California Multiple Award Schedules (CMAS) vendors.

Grant has not developed policies or procedures to ensure that it compares the prices offered by various vendors when it makes purchases through the CMAS program. Although district staff indicated that they compare and negotiate with various vendors when purchasing goods and services through the CMAS program, they cannot demonstrate that this comparison actually occurred. Furthermore, Grant has not established policies that set limits on CMAS orders it can make. Without obtaining prices from competing vendors, Grant cannot ensure it obtains the best available value. Additionally, since Grant has not set limits on the orders it can make, purchases of any size can be made without requiring staff to seek board approval for any of these transactions.

We recommended that Grant develop policies and procedures to ensure that it compares various vendors when using the CMAS program and that it sets order limits.

Grant Action: Partial corrective action taken.

Grant states that while CMAS purchases do not require bidding, it will require board approval for CMAS contracts or purchases above board policy limits for bidding. Additionally, Grant will follow CMAS guidelines for review of CMAS purchases and contracts. However, Grant does not address whether it plans to develop policies and procedures to ensure it compares vendors or sets order limits.

Finding #4: Grant should improve control over certain agreements.

Grant also could improve its control over agreements initiated by its legal counsel. Grant paid nearly \$488,000 for services it received during calendar year 1999 for these types of agreements. Staff did not maintain copies of all agreements, and it appears as though written agreements never existed in certain instances. Additionally, some agreements lacked clear descriptions of the work to be performed and set no limit on the amount Grant was willing to pay for the services. Further, some related invoices did not contain sufficient detail. As a result, Grant does not have a sufficient basis

on which to review the related billings and ensure that it has received the appropriate services. In addition, because Grant did not set a limit on the amount it was willing to pay, it does not have a mechanism in place that, when the limit is reached, would cause staff to review the agreement and determine whether they want to continue to receive the agreed-upon services.

Additionally, all but 4 of 10 advisory services agreements we reviewed failed to identify a specific period of performance. For 2 of the 4 agreements that did define a period of performance, Grant paid for services outside the agreed-upon period. For 1 agreement, Grant also requested that the contractor perform services not specifically identified in the scope included in the original agreement.

We recommended that Grant take the following actions:

- Maintain complete files of all signed agreements and prepare written agreements for all services it requests.
- Include complete descriptions of the work to be performed and rate schedules in the agreements to allow informed judgments as to whether the services were appropriate and allowable.
- Set limits for the amounts it is willing to pay in its agreements to trigger a review and determine whether it wants to continue to receive the agreed-upon services.
- Require all contractors to provide detailed invoices.
- Prepare new agreements or amendments to agreements before it incurs or pays for services not included in the original agreements.

Grant Action: Partial corrective action taken.

Grant states that it has improved quality control over all agreements it negotiates and executes. Specifically, all agreements with vendors, including law firms, consultants, and other service providers must be submitted to the board for approval. Furthermore, all agreements must state with specificity the services to be performed, the cost of the services, and the duration of the agreement. Grant also notes that it has revised its master contract file, which is now maintained in the Business

Services Office and the Legal Services Office. However, Grant does not address whether it plans to require all contractors to provide detailed invoices.

Finding #5: Weaknesses in control over equipment inventory diminish Grant's ability to safeguard its property.

Although Grant is making major equipment purchases through a variety of programs, it has not established an effective system to account for these investments. As of March 2000, Grant's inventory contained more than 83,000 items totaling more than \$32 million. We found that Grant has not completed a physical count of its equipment for several years, and its inventory system often does not adequately track the location of equipment. Consequently, it cannot ensure the accuracy and usefulness of its inventory records and lessens its ability to account for and safeguard its equipment against loss or theft. Additionally, Grant cannot ensure the proper use of equipment purchased for a specific purpose.

Additionally, our review of the equipment list indicated that it contains hundreds of items with a value substantially less than the required threshold of \$500. By keeping low-cost items in the inventory records, Grant increases the difficulty of tracking equipment and maintaining records for valuable or sensitive equipment.

We recommended that Grant immediately perform a physical inventory of its equipment and update its inventory records. After it updates its inventory records, Grant should then keep them current by developing procedures to track new equipment at appropriate locations and by consistently performing an annual physical inventory. Additionally, the board should revise its current policy to require Grant staff, consistent with state law and federal regulations, to include in its equipment inventory only those items with a value greater than \$500 or items determined to be highly susceptible to theft. It also should instruct Grant staff to remove items from its inventory records that do not meet those criteria.

Grant Action: Partial corrective action taken.

Grant is reviewing the inventory and eliminating items that do not meet the \$500 threshold or that it otherwise wishes to control. Grant stated that a revised inventory would be available for review in January 2001. Once the volume of items listed is reduced, Grant believes it will be easier to review, maintain, and control the remaining items. At that time, Grant plans to conduct a physical inventory to validate the revised inventory.

Finding #6: Length of paid administrative leave for some employees seems excessive.

Grant does not always ensure that it promptly resolves cases involving employees on paid administrative leave. For example, it could not demonstrate it was engaged in activities that would lead to a resolution of the personnel actions it took for five employees placed on extended paid leave for significant blocks of time during calendar year 1999. Its failure to resolve cases promptly may result in a waste of district funds as it continues to pay the employee on leave. This action may also leave Grant vulnerable to criticism that certain employees receive special treatment.

We recommended that Grant limit paid administrative leave by taking prompt action in disciplinary matters.

Grant Action: Corrective action taken.

According to Grant, since our audit, it has been very aggressive in reviewing and streamlining its human resources procedures, including, but not limited to, administrative leaves. On July 1, 2000, Grant permanently filled the position of assistant superintendent of human resources with an individual who has addressed the issue of paid administrative leave. Grant also states that it intends to expedite investigations and inquiries to minimize the number of days an employee is on paid administrative leave.

Finding #7: Control over background checks and tuberculosis testing of Grant volunteers should be strengthened.

Grant does not always ensure that it adheres to its policies requiring volunteers to submit to background checks and tuberculosis tests before they are given access to school facilities. We found 10 instances in 31 volunteer files in which Grant prepared identification badges for volunteers before it completed one or both procedures. It appears that Grant actually issued the identification badges to the volunteers in 4 of the instances. The badges allow the volunteers access to district campuses, and as a result, Grant may be placing the safety and security of its students, employees, and facilities at risk.

We recommended that Grant tighten its control over the review of volunteers' files and not permit volunteers access to school campuses until background checks and tuberculosis tests are completed.

Grant Action: Partial corrective action taken.

Grant states that its new assistant superintendent of human resources has commenced an audit of all the personnel files to ensure proper compliance with Education Code guidelines as well as its own policies that require a background check and tuberculosis test for all volunteers.

Finding #8: Grant should continue to strengthen its hiring practices.

Although questions arose in the past regarding Grant's hiring practices, it is making progress towards improving them. In 1997, Grant hired a consulting firm to assess the personnel services and the department's hiring procedures and to make recommendations to improve these services. In 1999, Grant contracted with another consultant to, among other duties, assess its progress toward implementing the recommendations of the earlier report. The second consultant found that Grant had implemented many of the original recommendations.

We recommended that Grant address any unresolved concerns identified by the consultants.

Grant Action: Partial corrective action taken.

Grant states that the new assistant superintendent of human resources has further refined the posting, processing, and screening of applications during the hiring process. Grant has also become a member of an organization that provides specific job testing. However, Grant does not specifically address how many of the concerns identified by its consultants are still unresolved.

Finding #9: Grant has failed to measure the effectiveness of its Title I program.

Although it is required to do so by federal law, Grant has not consistently measured the effectiveness of its Title I program. This program provides grants to improve the teaching of children who are at risk of not meeting academic standards. Federal law gives some of Grant's schools flexibility when using these funds. This flexibility, combined with public perception that the Title I program has failed in this district, makes it especially important to measure the program's effectiveness. Currently, in response to more stringent state requirements for achievement testing, Grant is implementing an annual evaluative process for all students. The California

Department of Education believes this process, combined with certain other measures, will meet the Title I requirements. However, it is too early to determine whether the evaluative process will demonstrate that Grant is using its Title I funds in the most effective manner.

We recommended that, as Grant progresses in the development of its overall assessment process, it consistently assess whether its Title I program is effective.

Grant Action: Unknown.

Although Grant indicated that it has reorganized and centralized all of its categorical programs into the Office of Career Development and Special Services under a single Director of Categorical Services, its response does not directly address whether it has implemented an annual evaluative process, which would demonstrate that Grant is using its Title I funds effectively.