

Grant Joint Union High School District:

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



June 2000
99130

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June 1, 2000

99130

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning our review of the Grant Joint Union High School District (Grant).

This report concludes that Grant could improve its administrative practices in several areas. For example, Grant did not obtain the board of trustees' advance approval for certain contracts although state law and board policy require it to do so. It also does not have sufficient controls over contracts initiated by its legal counsel. Further, Grant lacks an adequate system to track and safeguard its current inventory totaling more than \$32 million. Finally, it has not taken the necessary steps to consistently measure whether its Title I, Part A, of the Elementary and Secondary Education Act program is effective.

Respectfully submitted,

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SUMMARY

Audit Highlights . . .

Although Grant Joint Union High School District (Grant) is working to improve its educational programs and student achievement, it is too early to assess whether the changes will have the intended effect.

Our review of Grant's 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.

RESULTS IN BRIEF

The Grant Joint Union High School District (Grant) serves approximately 11,600 students, primarily in north Sacramento County. Grant has experienced a great deal of turmoil and will continue to face challenges in the future. For example, a significant challenge Grant is currently addressing, in response to more stringent state requirements over achievement testing, is improving on its history of low student achievement scores. Some problems may be attributable to a lack of consistent leadership over the last eight years and a perception that the board of trustees (board) did not always act in the district's best interest. Recently, however, both district and board leadership have changed, and Grant is making further changes intended to strengthen leadership. Although Grant is working to improve its educational programs and student achievement, it is too early to assess whether the current plan of action will have the intended effect.

This report focuses primarily on Grant's administrative practices, rather than on any actions it is 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. For instance, current district procedure does not require advance board approval before certain types of purchases are made or contracts are executed. Although some board members expressed concern that the board was not involved in certain expenditure decisions, we found that in some cases Grant's decision not to seek advance approval from the board was in accordance with its understanding of board policy. For example, among other purchases and contracts, Grant did not submit for approval purchases totaling more than \$1.1 million it made through a purchasing program it implemented in 1998. It also did not obtain the board's advance approval for contracts, including an architectural contract that resulted in an expenditure of \$1.4 million, although state law and board policy required it to do so. Such actions could result in the board being neither involved in deciding nor aware of the use of district funds.

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 some related invoices did not contain sufficient detail. As a result, Grant is less able to make an informed judgment that it is paying only for allowable services.

Furthermore, Grant lacks an adequate system to track and safeguard its current inventory, totaling more than \$32 million. This is of even greater concern as Grant becomes increasingly involved in purchasing significant amounts of expensive information technology equipment.

Grant's control over personnel procedures also should be strengthened. 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. As well as being unable to demonstrate it used district funds prudently, Grant is vulnerable to criticism that certain employees receive special treatment. Additionally, Grant does not always adhere to its policies requiring volunteers to submit to background checks and tuberculosis tests before allowing them access to district facilities, thus placing the safety and security of its students, employees, and facilities at risk.

Furthermore, federal law gives some schools in the district flexibility when using Title I, Part A, of the Elementary and Secondary Education Act (Title I) program funds—grants to schools to improve the teaching of children who are at risk of not meeting academic standards. Grant currently receives \$2.6 million annually from the federal government for this program. Instead of targeting students that meet Title I qualifications, schools that have an approved “school-wide” program may combine their Title I funds with most of their federal and state funds to upgrade the school's entire educational program. Because of the flexibility the schools are allowed under a school-wide program, in addition to the perception that the Title I program has failed in this district, it is especially important for Grant to have a means in which to measure the effectiveness of its Title I program. However, Grant has not taken the steps to consistently measure whether its Title I program is effective. In response to more stringent state requirements over achievement

testing, Grant is implementing an annual evaluative process for all its students. It is too early to tell whether this process will demonstrate that Grant is using its Title I funds in the most effective manner. However, due to the program's importance, Grant must focus on this critical area in the future.

RECOMMENDATIONS

To improve control over Grant's contracting and purchasing, the board should 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.

Additionally, to improve controls over its operations, Grant should take the following actions:

- Follow its own policies and state law for obtaining board approval when contracting for or purchasing goods and services.
- Maintain complete files of all signed agreements initiated by its legal counsel and prepare written agreements for all services it requests. These agreements should include complete descriptions of the work to be performed, and Grant should require all contractors to submit detailed invoices.
- Safeguard its equipment and ensure the accuracy of its inventory records by performing a physical inventory of its equipment and updating its records.
- Limit paid administrative leave by taking prompt action in disciplinary matters to ensure that it is using funds prudently and treating employees equitably.
- Tighten its controls over the review of volunteers' files so it does not permit access to school campuses before the completion of background checks and tuberculosis tests to ensure the safety of its campuses.

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

AGENCY COMMENTS

Grant generally agrees with our conclusions and recommendations, and it is Grant's belief that most of the recommendations of our audit are consistent with the reforms its board and administration are now initiating. Grant plans to propose actions on the recommendations to its board over the next several months. ■

INTRODUCTION

BACKGROUND

The Grant Joint Union High School District (Grant) is primarily located in north Sacramento County. Governed by a five-member board of trustees (board), Grant serves approximately 11,600 students in four high schools, two continuation high schools, five junior high schools, a special education center, and a skills center. In fiscal year 1998-99, about 52 percent of Grant's students were from minority populations—including 17 percent African-American, 17 percent Hispanic, and 14 percent Asian—and slightly less than half were Caucasian. During that fiscal year, Grant employed more than 1,100 people, including 528 classroom teachers.

The board establishes general policies and appoints Grant's superintendent. The superintendent is responsible for implementing policies and for preparing and submitting to the board a budget for each fiscal year. Grant spent approximately \$77.6 million in fiscal year 1998-99. Further, it anticipates spending \$81.4 million in fiscal year 1999-2000.

In Appendix A, we compare Grant to four other school districts within a specified range of student enrollment, number of teachers, and funding. Grant is similar to the other districts in the percentage of total funds it spends on classroom instructional program costs, administrative support, and pupil services when certain other costs are excluded. However, when the amount of funds spent for these same categories are compared on a per-student basis, Grant has the highest classroom instruction and administrative support costs, and it has the second-lowest pupil services cost. Further, Grant has the lowest average class size when compared with the other four districts, but it has the highest dropout rate. Appendix A provides more detail of our review.

GRANT FACES A NUMBER OF CHALLENGES

Grant has experienced a great deal of turmoil over the past few years, and some challenges are ongoing. The lack of consistent leadership probably contributed to some of the past turmoil. Recently, however, Grant and its board have undergone changes intended to strengthen leadership. For example, in the past, the public often perceived that the board's actions interfered with the smooth operation of Grant's programs and services. In December 1998, however, the board membership changed, and recent meetings indicate that board members are demonstrating a better spirit of cooperation. The board also appointed a permanent superintendent in December 1999 after a turbulent eight years that included four permanent and two interim superintendents.

Currently, Grant requires strong leadership as it faces the significant challenge of improving its programs and its students' educational success. At the forefront of concerns surrounding Grant is the students' low level of performance on achievement tests when compared with other students in California. Current state law requires Grant to administer an achievement test annually. However, beginning with the 1999-2000 school year, more stringent state requirements also demand that schools meet growth targets in student scores over a period of time. If the schools do not meet their targets, the State may implement sanctions that range from requiring schools to participate in remedial programs to actually closing the schools. Currently, Grant is identifying ways to improve its students' scores.

GRANT IS TAKING ACTIONS TO IMPROVE ITS EDUCATIONAL PROGRAMS

Recently, Grant has taken certain actions and is planning others that it hopes will improve its educational programs and district management. Grant is taking advantage of several unique state and federal programs to upgrade its technology. According to its Technology Vision and Strategic Plan, these new programs will integrate technology within the curriculum. More specifically, Grant is using state funding for its Voluntary Integration Program (integration program) and Digital High School Education Technology Program (digital technology program) as well as federal funding through the Schools and Libraries Universal Service Fund, popularly known as the E-Rate program.

Grant has applied for funding from the State for amounts ranging from \$6.1 million to \$6.3 million annually beginning in fiscal year 1997-98 for its integration program. According to Grant's report to the Legislature, the integration program is designed to mitigate the negative effects of racial isolation within the district. Grant reports that it serves an area encompassing many different communities, some quite affluent and others made up of minorities mostly in the lower socioeconomic group. The integration program mixes students of different ethnic backgrounds and socioeconomic groups in activities conducive to cooperative learning and to building friendship and understanding, using technology-based systems. The district believes the integration program will help improve student achievement, self-respect, and respect for others.

In addition, during fiscal year 1998-99, the California Department of Education (Education) approved funding of almost \$1 million under the Digital High School Education Technology Grant Act of 1997 for two of the district's schools—Rio Linda High School and Foothill High School. The State has now approved expanding the program to Highlands High School and Grant Union High School, for which it most likely will provide another \$1 million. The digital technology program provides one-time installation and ongoing support and staff training grants for technology projects at high schools.

Grant also has qualified for funds through the federal government's E-Rate program. Through the E-Rate program, a school or library receives discounts of 20 percent to 90 percent on telecommunications services, internal connections, and Internet access. For fiscal year 1999-2000, the federal government approved district projects totaling \$1.9 million for which Grant received a discount of 65 percent (\$1.2 million). For the second year of funding, Grant is requesting approval for projects totaling \$6.6 million for a discount of around 73 percent (\$4.8 million).

Finally, the superintendent states that he is in the early stages of implementing two new programs he believes will further improve Grant's educational services. For example, Grant is developing partnerships with local colleges and universities, such as the University of California, Davis, as part of its Reservation for College program. According to the superintendent, students would enter this program in elementary school and agree to meet specific objectives throughout elementary, junior high, and high school. If the students meet these objectives, the colleges and universities

participating in the program guarantee admission. Grant began implementing this program in 1999. Similarly, Grant plans to develop partnerships with local employers for its Reservation for Employment program.

We are not able to assess whether these programs have improved educational services because Grant is only in the initial phases of most of the programs.

GRANT IS ATTEMPTING TO IMPROVE ITS ADMINISTRATIVE OPERATIONS

Grant also is reorganizing several departments. Its intent is to implement internal reforms and organizational alignments to enhance the effectiveness of instruction and, ultimately, to improve student academic achievement. Currently, Grant has reorganized or is proposing reorganizing its central administration, business services, adult education and vocational training program, human resources, and police services departments.

According to the superintendent, the proposed reorganization of central administration addresses the need to improve the district's image and functionality. The proposed reorganization and revised job descriptions emphasize the following:

- Movement toward accountability and improved use of district resources by including an evaluation component in job descriptions.
- Focus on staff development activities by coordinating these services through the new staff development office.
- Placement of all the traditional programs, as opposed to those providing supplemental services such as the integration program, under one assistant superintendent for better coordination.
- Establishment of a position responsible for tracking, identifying, and applying for new federal and state grants and assessing whether Grant has effectively used the grants.

Grant also recently reorganized its police services division to address and resolve a myriad of concerns raised by its former and current liability insurance carriers, the district's administration, and individual board members. The concerns centered on the effectiveness of Grant's safety and security services. According to the superintendent, the most significant change in the reorganization is the conversion of the police officer positions into a far broader role with the title of school resource officers. This position is a relatively new concept in law enforcement designed to be more effective in a school environment than the traditional police officer. The school resource officer will continue the duties of a law enforcement officer but also will take on the roles of counselor and teacher. Teaching duties include activities such as integrating conflict and anger management into the school's curriculum, providing instruction on the juvenile justice system, and overseeing field trips to juvenile hall or the jail. Grant plans to provide the additional training the school resource officers need to fulfill their counseling and teaching duties. Grant also has revised the minimum education standards for this position. In the past, Grant required that a police officer candidate have only a high school diploma or a high school equivalency certificate. The school resource officer's job description requires a candidate to have an Associate of Arts degree or equivalent and to have graduated from the police academy.

Again, we are not able to assess whether these organizational changes will have the intended effect because Grant is in only the initial phases of implementing them.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee requested the Bureau of State Audits to conduct a comprehensive audit of 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 and state funds for its integration program.

We assessed Grant's controls over its fiscal procedures by interviewing key personnel and reviewing board minutes, purchasing transactions, contracts, inventory records, and accounting records such as expenditure reports, vendor lists, and purchase orders. We

also visited various sites within the district to locate equipment. Further, we reviewed Grant's budgetary process to determine how it monitors expenditures and enforces budget compliance. In general, we did not identify significant issues related to the budgetary process. Our review of the audited financial statements for the last three years indicated that Grant's financial position is stable. However, we did discuss with Grant's management one minor issue, which resulted in our recommendation that it maintain adequate support, including appropriate explanations for its budget transfer requests. We also reviewed Grant's use of consultants for calendar year 1999. The results of this review are presented in Appendix B.

To assess various personnel management practices, we reviewed Grant's controls over employees placed on administrative leave and over volunteers' background checks by reviewing employee personnel and volunteer files. In addition, we interviewed Grant employees as well as reviewed two reports prepared by independent consultants addressing Grant's controls over its hiring procedures.

To gain an understanding of the federal Title I program, we interviewed employees of Education, the Sacramento County Office of Education, and the U.S. Department of Education—Compensatory Education Programs as well as district staff. We also reviewed actions Grant took to resolve issues reported by Education in the last two compliance reviews of Grant's Title I program and the inappropriate spending of Title I funds in the early 1990s. As of early May 2000, according to staff at Education, the two have discussed Grant's recent proposal for reimbursing its Title I program for the \$277,000 in question. Education anticipates that an agreement will be reached soon.

We determined that other auditors performed work related to Grant's integration program. In addition to work it performed on Grant's integration program as part of its annual audits of Grant's financial statements, Grant's independent auditors completed a separate audit of the integration program expenditures for fiscal year 1997-98, the first year of the program. The auditors concluded that the entire \$6.3 million Grant claimed for reimbursement from the State was allowable. To reach that conclusion, the auditors made various judgments and interpretations as to whether the expenditures were in accordance with guidelines issued by the State Controller's Office (Controller). During our audit, it also came to our

attention that the Controller recently completed fieldwork related to an audit of Grant's integration program expenditures for fiscal year 1997-98. The Controller may or may not agree with the various judgments and interpretations Grant's independent auditors previously made. We did not perform any further work in this area because we did not want to duplicate the work performed by the other auditors and since, by law, the Controller establishes the standards and procedures governing the audits of integration programs, including determining reimbursable expenditures. As of May 17, 2000, the Controller had not yet provided Grant a draft of the report.

To address other concerns raised by Grant's board and members of the community, we performed additional audit procedures in a variety of areas. This report includes those within our scope that we were able to substantiate. ■

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CHAPTER 1

Grant Should Improve Controls Over Certain Fiscal Procedures

SUMMARY

Although the Grant Joint Union High School District (Grant) has begun to implement changes, it could improve its fiscal practices in several areas. For instance, it does not present certain types of purchases or contracts to the board of trustees (board) for prior approval. Although some members expressed concern that the board was not involved in certain expenditure decisions, Grant's decision not to seek prior approval in some cases was in accordance with its understanding of board policy. For example, among other purchases and contracts, Grant did not submit for advance approval purchases totaling more than \$1.1 million it made through a purchasing program it implemented in 1998. In addition, Grant did not use a competitive process for \$212,000 in purchases during that same year, even though it was required to do so. Consequently, the board may not have been sufficiently aware of and involved in important expenditure decisions, nor can Grant be sure it received the best value.

Grant also should improve control over agreements initiated by its legal counsel. Grant paid nearly \$488,000 for services it received during 1999 for these types of agreements. Grant did not maintain copies of all its agreements, and it appears as though written agreements never existed in certain instances. Additionally, some agreements lacked clear and detailed descriptions of the work to be performed, and some of the related invoices did not contain sufficient detail. As a result, Grant is less able to make an informed judgment that it is paying only for allowable services.

Further, Grant has not established an effective system to account for its investment in equipment at its school sites and the district office totaling more than \$32 million. Consequently, Grant 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.

GRANT'S POLICIES DO NOT REQUIRE THE BOARD TO APPROVE CERTAIN CONTRACTS AND PURCHASES IN ADVANCE

During 1999, Grant did not present 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 required it.

A primary responsibility of school boards is to ensure that their districts spend funds appropriately. Boards typically establish policies that require staff to obtain approval before they enter into certain types of purchases and contracts. Boards establish such policies to ensure that they will be sufficiently informed of and agree with proposed decisions before the district spends or commits funds. Purchasing and contracting decisions also may involve important policy matters with which boards should be involved.

The board is on record as stating that it wants to be fully involved with financial matters. A policy established in 1986 states that the board does not wish to relinquish its discretionary powers in the management of Grant's financial affairs. Further, the policy states that the board recognizes that it may not delegate to employees the final power of purchasing and contracting, and that it therefore desires complete information from staff on all matters relating to the district's financial operations. Nevertheless, the current policies that Grant follows sometimes result in the board not being involved in any meaningful way with purchasing and contracting decisions. Some members have expressed concern that the board is not involved in certain of these decisions.

Although the board says it wants to be fully involved with financial matters, Grant's policies sometimes result in the board not being involved in purchasing and contracting decisions.

Grant's practice is to seek board approval in advance when required by law. For example, its procedures call for board approval of contracts exceeding \$53,900—the threshold in 1999 for most contracts that require competitive bidding—because state law calls for the board to enter into contracts exceeding that amount. Additionally, the board has set specific policy requiring it to approve consulting contracts exceeding \$1,000.

However, because of board policies and staff's interpretation of those policies, Grant did not submit during 1999 certain purchases and contracts to the board in advance for its review and approval. For example, Grant did not submit 14 agreements for which it paid for services occurring in 1999 totaling almost \$320,000 because of a board resolution adopted in 1992 that permits the legal counsel to enter into contracts independently without obtaining board approval.

Grant seeks board approval in advance for the following:

- Contracts with an award amount greater than \$53,900.
- Contracts for public projects, such as construction or repair work, with an award amount greater than \$15,000.
- Consultant contracts greater than \$1,000.
- Contracts with special education providers.

Grant does not seek board approval in advance for the following:

- Purchases and contracts that do not meet the requirements above.
- Contracts initiated by its legal counsel.
- Purchases through the Department of General Services' California Multiple Award Schedules program.

Furthermore, Grant's interpretation of board policy resulted in it not seeking approval for more than \$1.1 million in purchases it made through a purchasing program it implemented in 1998. The California Multiple Award Schedules (CMAS) program under the Department of General Services (General Services) allows Grant to bypass a traditional competitive process. Thus, staff assumed that such purchases do not require board approval. Although some of the purchases made through the CMAS program were small, others were significant. For example, one purchase was for telecommunications equipment and totaled more than \$173,000.

Grant's decision to exclude agreements made by its legal counsel from the board's approval process is of particular concern because certain of these expenditures are somewhat unusual when compared to a district's normal educational expenditures. They therefore require a higher degree of monitoring. For example, during calendar year 1999, Grant paid almost \$167,000 to five firms or individuals contracted by the legal counsel to develop strategies for the defeat of Senate Bill 799 (SB 799). According to Grant's legal counsel, in February 1999 when it unanimously agreed to oppose reorganization of Grant, the board agreed to take any measures necessary to oppose SB 799, a bill that protects the rights of students to continue to attend local schools if the district is reorganized. SB 799 also protects the rights of Grant's employees to retain their seniority if they become employees of the newly reorganized district. Because we saw no evidence that the board agreed to oppose SB 799 in the minutes and because it did not approve the related agreements, we question whether the board was fully aware of the extent or nature of the funds

Grant spent for this purpose. Additionally, a board member questioned whether one of the five contractors actually provided the services outlined in that contractor's agreement.

Finally, Grant failed to submit some contracts to the board for advance approval even though board policy and state law required it to do so. For example, it failed to receive board approval of a contract for architectural services that resulted in an expenditure of \$1.4 million during calendar year 1999. According to the director of facilities and risk management, Grant originally planned to obtain these services by using an architect acting as a subcontractor under a master agreement already approved by the board. However, when it elected to contract directly with the architect, Grant incorrectly assumed that the approval of the master contract still applied. Since the contract is new and involves an expenditure exceeding \$53,900, board policy and state law require advance board approval. Additionally, the agenda item presenting the master contract for board approval states that staff would submit the expenditures for the architectural services as a separate item for approval.

During calendar year 1999, Grant also failed to submit 11 contracts with special education providers, involving an expenditure of \$1.5 million, as required by board policy. According to the director of special education, she was unaware of the policy requiring advance approval of these contracts.

Grant failed to submit to the board for advance approval 11 contracts with special education providers, costing \$1.5 million, although board policy required approval.

Although Grant is not required to submit all contracts to the board for advance approval, board policy enacted in 1994 does require it to submit all contracts to the board for ratification, a process by which the board approves contracts after the district has awarded them. However, Grant also failed to follow the ratification process during calendar year 1999. Grant management stated they were unaware of the board policy on ratification. When management became aware of the requirement, they submitted 39 contracts to the board for ratification in February 2000.

However, the assistant superintendent for business and finance believes Grant previously met the ratification requirement by submitting a summary of the prior month's expenditures for approval at board meetings, a procedure implemented as a result of an existing board policy. He contends that ratification still occurred because the board approved the expenditures related to those contracts. Further, Grant permits each board member on-line access to the accounting system to review

details of the monthly expenditures, so it believes the board members are aware of all transactions. However, we question whether this process allows board members to provide informed input on Grant's decisions because the number of transactions in a given month is voluminous and may not be focused enough to allow board members to identify specific items that may warrant their attention.

Because ratification involves after-the-fact approval, we do not believe Grant's current process is sufficient to effectively resolve board concerns before transactions are initiated and completed. If Grant does not inform the board in advance of important transactions, the board cannot ensure that the district uses its funds appropriately.

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. For example, it made three purchases totaling \$212,000 in 1999 that should have been bid competitively.

State law and board policy required Grant to seek competitive bids on any equipment, supplies, services, and repairs costing more than \$53,900 in calendar year 1999 and to award the contract to the lowest responsible bidder. State law and board policy also require Grant to seek competitive bids on public projects such as construction, alteration, renovation, or repair work involving any publicly owned, leased, or operated facility costing more than \$15,000. However, it excludes contracts for professional services such as legal, consultant, and architectural services, and purchases through the CMAS program.

During calendar year 1999, our review indicated Grant was required to use a competitive process on only nine occasions. It used a competitive process for three contracts for buses and three contracts for public projects. It failed to use a competitive process for the three remaining purchases.

Grant bought a software package for more than \$57,700 without using the required competitive process. State law and board policy require a competitive process that includes advertising for bids once a week for two weeks in a newspaper of general circulation. In addition, district policy requires Grant to perform an

Grant purchased a software package for more than \$57,700 without using the required competitive process.

analysis of the bids received and to make a recommendation for award to the board. Grant cannot ensure that it received the best value for its software purchase because it did not use the required competitive process.

In a second example, Grant purchased computer equipment from one vendor using separate invoices. The combined invoices totaled more than \$53,900, which would require a competitive process. More specifically, we identified three separate purchase requisitions from the same school, prepared five days apart, for 31 computers and six printers totaling more than \$91,000. Grant failed to combine these purchases because three separate programs within one of the schools prepared separate requisitions and Grant lacks a process to ensure that coordination of purchases takes place.

Because Grant lacks a process to ensure coordination of purchases, it failed to use a competitive process for computer purchases totaling \$154,000.

In the third instance, an individual from one program prepared two separate purchase requisitions, for 14 computers each, from the same vendor for the same items on March 31, 1999, and on April 13, 1999, just 14 days apart. These purchases totaled nearly \$63,000.

Again, the purchasing department does not have a procedure to detect orders that it should combine. It simply processes the individual requisitions daily from the various schools and programs. However, according to the job description for this position, the director of purchasing should plan, coordinate, and supervise Grant's purchasing. As such, the purchasing department is responsible for reviewing and combining purchases as appropriate. Had the purchasing department combined the requisitions, both this and the previous purchase would have required board approval and competitive bidding.

Furthermore, Grant does not always follow its own internal written policy for purchasing goods and services that do not require formal competitive bidding. This policy, which does not apply to purchases made through the district's CMAS program, requires staff to obtain one or more telephone or written quotes for purchases up to \$1,000, at least three documented telephone or written quotes for purchases from \$1,000 to \$7,500, and at least three written quotes for purchases \$7,501 up to the formal bidding limit of \$53,899. Staff did not follow these procedures for four of nine purchases that we reviewed, totaling almost \$14,500.

GRANT HAS NOT DEVELOPED POLICIES FOR ITS USE OF CMAS VENDORS

Grant has no 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.

General Services developed the CMAS program to reduce overall procurement costs by ensuring competitive prices without the expense of competitive bidding. Like other multiple award schedule programs, CMAS gives purchasers the authority to buy goods and services from a list of qualified vendors at or below approved prices. Entities who participate in CMAS can select from a list of pre-qualified vendors and purchase items without going through the traditional competitive process.

However, General Services does recommend that local agencies determine whether the CMAS program is consistent with their procurement policies and regulations. For instance, because CMAS prices represent the ceiling that its vendors can charge users of its program, General Services strongly encourages all agencies to optimize the benefits of the program by comparing different vendors for varying products, services, and prices. Furthermore, because General Services does not establish limits on the orders local agencies can make, it recommends that they set their own limits consistent with their other purchasing policies.

According to the assistant superintendent for business and finance, Grant has not developed any policies or procedures for using the CMAS program. For calendar year 1999, it made \$1.1 million in purchases through the CMAS program. Grant claims to compare various vendors and negotiate prices, but it could not demonstrate it had done so because it does not have a

Grant could not demonstrate that it compared various vendors and negotiated prices when using a purchasing program it implemented in 1998.

stated policy to perform and document this process. Without obtaining prices from competing vendors, Grant cannot ensure that it obtains the best available value. Furthermore, staff may make purchases of any size without seeking board approval because Grant has not set order size limits.

GRANT SHOULD IMPROVE CONTROL OVER CERTAIN AGREEMENTS

It is particularly important to strengthen control over agreements with firms and individuals providing advisory services that are currently under the responsibility of Grant's legal counsel. The board has given Grant's legal counsel broad authority to enter into agreements as needed to aid him in his duties without obtaining prior approval. Grant paid nearly \$488,000 for services it received during 1999 for these types of agreements.

Because the board has given Grant's legal counsel broad authority to enter into certain agreements, it is particularly important that Grant strengthen its controls in this area.

Grant's legal counsel has retained law firms to provide litigation services and general legal assistance, and for advisory services related to personnel matters, collective bargaining, and lobbying. The legal counsel also has entered into a number of agreements with other individuals for lobbying services, a superintendent search, and political consulting services. Therefore, Grant's legal counsel retains law firms not only for litigation services. He also often enters into agreements with law firms and individuals that are of an advisory nature.

Good business practices dictate that Grant maintain copies of all agreements and require provisions in the agreements and sufficient detail in invoices to allow it to make an informed judgment as to whether the services are appropriate and allowable. Furthermore, General Services' State Contracting Manual, which provides guidance for state agencies, notes that contracts of an advisory nature providing a recommended course of action or personal expertise should contain a clear description of the work to be performed and, if appropriate, limitations on the contract price. Although Grant need not follow state requirements, good business practices dictate that it have similar policies.

We reviewed the agreements associated with 13 firms and individuals who performed services for Grant during the 1999 calendar year and two other agreements for services performed

in late 1998. The legal counsel could not readily locate all the agreements and, in many cases, he did not have copies in his office files. In fact, it was not until six weeks after our initial request and several calls by both us and district staff to these firms before we finally obtained copies of most of the agreements. Ultimately, however, the legal counsel could not locate three agreements for which Grant paid for services totaling approximately \$3,600 and found no signed copy of a fourth agreement for which Grant paid for services totaling \$12,000. For the three agreements the legal counsel could not find, the evidence suggests that written agreements never existed. According to the legal counsel, his staff had difficulty locating all agreements because they were misplaced during a reorganization of his office files. Because he has been given broad authority to enter into these contracts without obtaining the board's approval, it is of particular importance that he maintains copies.

Generally, the legal counsel uses retainer agreements or engagement letters rather than contracts when he engages firms and other individuals for non-litigation matters. The primary drawback of this practice is that such documents do not usually contain a clear description of the work to be performed, nor do they always establish limits on the amounts Grant is willing to pay. Of 10 agreements to provide advisory services as opposed to other services such as specific litigation, 7 contained no clear and detailed description of the work to be performed, 8 set no limit on the amount Grant was willing to pay for the services, and 1 did not contain a rate schedule. Because these agreements do not always document details including what may be orally agreed to, the legal counsel does not have a sufficient basis on which to review the related billings and ensure that Grant 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.

Agreements did not always contain a clear and detailed description of the work to be performed, and as a result, Grant is less able to ensure it has received the appropriate services.

Also, the invoices for two agreements failed to provide sufficient detail of the services performed. One invoice simply stated "Services-October 1999." A second invoice requested payment for "the provision of legislative advocacy services to the Grant Joint Union High School District during the month of June 1999." Each of these invoices were representative of other

monthly invoices for these two agreements. Without sufficient detail, Grant is less able to make an informed decision as to whether the services provided are appropriate.

All but 4 of the 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. As of the end of April 2000, Grant paid for services provided from October 1999 through March 2000 totaling \$24,500 on an agreement with a completion date of August 31 and from November 1999 through February 2000 totaling \$18,200 on one with a completion date of October 31, 1999. For 1 agreement, Grant also requested that the contractor perform services not specifically identified in the scope included in the original agreement. In May 2000, and only after we inquired about this matter, the legal counsel entered into new agreements for these two contractors.

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. Weaknesses in the control over its inventory reduce the accuracy and usefulness of its inventory records. For example, Grant has not completed a physical count of its assets 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.

Grant attempted to perform a physical inventory in fall 1999. District staff could not recall when Grant completed a previous inventory but acknowledged that it had not done so for several years. In fall 1999, the director of purchasing, who is also responsible for Grant's inventory records, sent an inventory list to site administrators requesting them to perform a physical

Grant lacks an adequate system to track and safeguard its current inventory totaling more than \$32 million.

inventory and to return the list with any corrections. However, as of March 2000, many site administrators had not returned their completed physical inventories, and the inventory clerk had not adequately updated and corrected inventory records.

Our limited review of the inventory records identified several large errors that overstated Grant's inventory by more than \$5.3 million.

Because Grant is not completing periodic physical inventories to ensure the accuracy of its equipment records, nor is anyone reviewing the records for reasonableness, our limited review found major errors. For example, Grant incorrectly recorded one tripod with a value of \$2,130 in the inventory records as 2,130 tripods because it recorded the value as the quantity. This one error overstates the value of its inventory by more than \$4.5 million. In a similar example, records reflected an item worth \$525 at a value of \$800,625 because of an incorrect quantity. Inventory records reflect that this error has existed since 1993. Because our limited review identified several large errors, we are even more concerned that many other errors exist and that Grant is not detecting them because it does not complete physical inventories and update its records.

Also, Grant often does not correctly identify the location of equipment in its inventory records; therefore, it cannot be certain that its equipment is used for intended purposes. For example, we reviewed the location of 12 items purchased with funds from a federal program—Title I, Part A, of the Elementary and Secondary Education Act (Title I). Because these items are assigned to targeted assistance schools, only students and teachers assigned to the Title I program should use them. (We discuss Grant's Title I program in more detail later in Chapter 3.) However, one computer and one central processing unit were in different locations from those indicated in the inventory records and, consequently, these items were not available to the Title I staff and students for their use. In addition, a third school did not locate a copier in such a manner as to ensure that only Title I staff and students used it.

We also found that when Grant delivers equipment to a specific site, it often inputs into the inventory system the name of the administrator who ordered the equipment as opposed to a location. It then relies on a responsible employee to provide the specific location for tracking purposes later. However, because the employees do not always provide this information and Grant does not follow up to ensure that they do, locating an item and ensuring it is being used appropriately is difficult. The inventory list contained an employee's name in the location field for 10 of the 12 items we tested. A quick examination of the inventory list

revealed that hundreds of items contain a name in the location field as opposed to an actual location, and many of these items were purchased as long ago as the early 1990s. Additionally, because of its weak inventory procedures, Grant incorrectly removed 1 of the 12 items from its inventory records.

We also found that a large number of items are unnecessarily included in Grant's inventory records. State law requires the district to include only items valued at \$500 or more, and board policy requires the same with the exception of items purchased with federal funds worth at least \$300. Although past federal regulations defined certain types of property using a \$300 amount, the federal government no longer includes this amount in current regulations but rather requires that an entity use, manage, and dispose of equipment acquired by federal funds in accordance with state laws and procedures.

Our review of the equipment list indicated that it contains hundreds of items with a value substantially less than both thresholds, such as desks, stools, and cabinets. By keeping low-cost items in the inventory records, Grant increases the difficulty of tracking equipment and maintaining records for valuable or sensitive equipment. According to the director of purchasing, she recently implemented state law and board policy to include only those items worth more than \$500 for new purchases except for less expensive items that she believes are highly susceptible to theft. However, she has yet to remove past purchases that were inappropriately added to the inventory list.

According to the director of purchasing, the department responsible for the equipment inventory lacked consistent leadership and direction over the past five years, and the staff consequently failed to implement correct inventory procedures. Furthermore, administrators have not adequately communicated the importance of this function to the staff assigned to track equipment, so the completion of the physical inventory does not receive high priority. The director of purchasing could not provide a specific explanation as to why staff responsible for inventory in the past did not implement state law and board policy requiring the district to include only those items over the thresholds in its inventory records.

It is difficult to track equipment and maintain records because hundreds of low-value items are included in the inventory.

Finally, the director of purchasing states Grant is aware that it needs to establish stronger inventory procedures and is considering some changes. For example, she is considering obtaining the services of an outside vendor to perform a complete physical inventory to verify the location and value of its inventory. She also is considering looking at new inventory software packages that would allow Grant to track its equipment better. She plans to complete correcting the inventory deficiencies in fiscal year 2000-01.

RECOMMENDATIONS

To improve control over Grant's contracting and purchasing, the board should 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. Additionally, Grant should ensure that it follows its own policies and state law for obtaining board approval.

To ensure that it receives the best value available for goods and services, Grant should perform the following actions:

- 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.
- Competitively bid all purchases and contracts required by state law and the board's policies.
- Obtain competitive quotes for purchases not requiring competitive bidding in accordance with its internal policies.
- Develop policies and procedures to ensure that it compares various vendors when using the CMAS program and that it sets order limits.

To strengthen control over agreements initiated by its legal counsel, Grant should 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.

To safeguard its equipment and ensure the accuracy of its inventory records, Grant should take the following actions:

- Immediately perform a physical inventory of its equipment and update its inventory records.
- Ensure that, after it updates its inventory records, it keeps 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. ■

CHAPTER 2

Controls Over Grant's Personnel Procedures Should Be Strengthened

SUMMARY

The Grant Joint Union High School District (Grant) should improve its controls over its personnel procedures. For example, it 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. One employee was on paid leave for almost six months; during more than three of those months, Grant took no action to resolve the case. Consequently, Grant cannot demonstrate that it prudently used its funds to pay for the employees' administrative leave. Additionally, Grant's practices may leave it vulnerable to criticism that some employees receive special treatment.

Furthermore, Grant does not always adhere to its policy requiring that potential volunteers submit to background checks and tuberculosis tests before performing duties at a district facility. By issuing identification badges before completing the proper checks, Grant improperly allows volunteers access to its campuses and potentially places the safety and security of its students, employees, and facilities at risk.

Finally, although Grant has taken steps to strengthen its hiring process, the process still needs improvement. In 1997, it hired a consulting firm to assess its hiring practices. In 1999, it contracted with another consultant, who found that Grant has implemented all but 9 of the 31 recommendations made in the original report.

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. Consequently, it cannot ensure that employees are on paid leave for only as long as necessary. 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.

When Grant determines that it is necessary to discipline an employee, it has several options available, including unpaid administrative leave (suspension) or dismissal. However, before it can discipline an employee, the district must complete an investigation and allow the employee the right to request a hearing. According to the assistant superintendent of human services, Grant's informal policy is to place an employee on paid administrative leave until it concludes its investigation and hearing. Grant feels that this avoids implying that an employee is guilty before all facts are gathered. However, we found at least two instances in which the employees never requested hearings yet remained on paid leave for an extended period of time that Grant could not explain.

During calendar year 1999, Grant placed 16 employees on paid administrative leave, 5 of whom remained on leave from three to almost six months. Grant paid these 5 employees a total of nearly \$64,000 in salary during this time. Grant placed these employees on paid administrative leave for reasons such as insubordination, willful disobedience, and immoral or unprofessional conduct. For 4 of these employees, Grant could not demonstrate it was engaged in any activity leading to prompt resolution of the cases and an end to the paid leave for significant blocks of time ranging from one month to more than three months. Moreover, Grant could not provide us any documentation to show it made reasonable progress to resolve any issues related to the entire leave for a fifth employee. These blocks of time cost Grant more than \$48,000 in salaries for these 5 employees.

Grant's legal counsel cited several possible reasons that could delay the resolution of a case and explain the blocks of inactivity, including problems with scheduling the hearing, the filing of a workers' compensation claim, and delays resulting from Grant's use of outside investigators for certain cases. However, these explanations did not coincide with the blocks of inactive time we identified for these employees. Eventually, Grant provided some additional dates on which staff stated meetings or hearings occurred; however, the staff could not provide documentation to support their assertions.

Not promptly acting to resolve the disciplinary actions against five district employees on paid leave cost Grant more than \$48,000 in salaries.

In some instances, the ultimate disciplinary actions that Grant took seemed minimal when compared to the amount of paid administrative leave it granted. Two employees returned to work after extended periods of leave of nearly six months with simply a work improvement plan as opposed to any type of significant disciplinary action. A work improvement plan is an agreement between Grant and the employee describing the steps the employee must take to improve performance. Grant considers the work improvement plan to be a form of discipline. However, in one instance, after an employee had been on paid leave for almost six months, the plan required the employee simply to “obey all lawful directives, rules, regulations, general orders, and district policies” rather than identifying any meaningful steps to improve performance. Such minimal action does not justify the cost of placing the employee on paid administrative leave for almost six months.

CONTROL OVER THE 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.

Grant may be placing the safety and security of its students, employees, and facilities at risk because it did not always follow its policies before issuing identification badges to volunteers.

Grant submits fingerprints to the Department of Justice (Justice) for all its employees and volunteers. Justice continuously compares employees included in its files against criminal history records and notifies Grant upon the arrest or conviction of any employee. However, until recently Justice reviewed only the criminal history files of volunteers when Grant initially submitted their fingerprints. Justice was not responsible for notifying Grant of any arrests or convictions that subsequently occurred. Thus, Grant annually resubmitted all current volunteer fingerprints to Justice. We focused our review on the volunteers because Grant was responsible for initiating this action each year.

However, a Justice official informed us that during 1999 Justice began notifying school districts of subsequent arrests or convictions of volunteers on an ongoing basis as it currently does for school district employees. As a result, Grant no longer needs to annually submit fingerprints for continuing volunteers, although it still must submit them for new volunteers.

Once Grant submits the volunteers' fingerprints, Justice returns the background checks to Grant and a district employee examines the reports for any indication of criminal activity. The employee forwards any report that indicates criminal activity to the assistant superintendent of human resources, who determines whether the activity was of a nature that by law prohibits Grant from allowing the volunteer access to its campuses and students. Once reviewed, the report is placed in the volunteer's file.

Grant is responsible for verifying that the background check and tuberculosis test have been completed before it allows a volunteer access to any facilities. An employee is responsible for reviewing the information and issuing an identification badge when the checks and testing are completed.

Of the 31 volunteer files we reviewed, 10 lacked evidence of a background check, tuberculosis test, or both as of January 2000. In 4 instances, it appears that the volunteers received their identification badges although they had not completed the review process. The identification badges of the remaining 6 volunteers were still in their files. Although it appears that the volunteers never received these badges, a risk exists that Grant could issue them inappropriately.

In four instances, it appears that volunteers were allowed access to district campuses before completion of background checks and tuberculosis tests.

Grant informed us that the failure in this process may have been due to the high turnover in the position responsible for monitoring the volunteer program over the past three years. Currently, it has assigned one employee the responsibility of maintaining the volunteer program, which includes overseeing the files and ensuring the completion of background checks and tuberculosis tests before a volunteer can be assigned any duties. Grant believes the current structure is adequate to prevent the distribution of identification badges to volunteers before they complete the review process. Since we performed our original review, Grant has located the required documents for 2 of the 10 files, has placed 6 files on inactive status, has misplaced 1, and has not performed any activity on the remaining file. We believe

Grant must continue to focus on this area to ensure that it does not grant volunteers access to district campuses before their reviews are complete.

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 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 implemented many of the earlier recommendations.

Although a consultant concluded that Grant has taken actions to improve its hiring practices, the process continues to need improvement.

The first consultant made 31 recommendations, including developing appropriate reference check forms and preparing a set of written procedures for continuity and consistency in personnel operations.

The second consultant concluded that Grant has taken action to improve its hiring practices, implementing all but nine of the original recommendations. Although the second report shows that Grant has taken action to improve its hiring practices, it still recommends, for example, that Grant include supervisors in the interview process, establish an administrative staffing ratio, and explore the possibility of providing training for interview panel members.

RECOMMENDATIONS

To ensure that it is prudently using funds and treating employees equitably, Grant should limit paid administrative leave by taking prompt action in disciplinary matters.

To ensure the safety of its school campuses, Grant should 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.

To further strengthen its controls over hiring practices, Grant should address any unresolved concerns identified by the consultants. ■

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CHAPTER 3

Grant Needs to Measure the Effectiveness of Its Title I Program

SUMMARY

Although it is required to do so by federal law, the Grant Joint Union High School District (Grant) has not consistently measured the effectiveness of its Title I, Part A, of the Elementary and Secondary Education Act (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 (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.

FEDERAL LAW ALLOWS GRANT FLEXIBILITY IN USING TITLE I FUNDS AT CERTAIN SCHOOLS

Grant currently receives approximately \$2.6 million annually in federal funds through the Title I program. When this audit was requested, the Legislature expressed particular concerns regarding whether Grant appropriately spent federal funds for its Title I program. Others also expressed concerns regarding the use of Title I funds during the audit. However, some of those concerns may stem from a misunderstanding of the difference between a Title I targeted assistance school and a school that the State has approved for a school-wide Title I program. Targeted assistance schools use Title I funds for only a select group of students. Under a school-wide program, all students may receive services from these funds. In 1996, the State approved three of

Concerns expressed regarding whether Grant appropriately spends federal Title I funds totaling \$2.6 million annually may stem from a misunderstanding of the program's requirements.

Grant's schools for school-wide Title I programs—Grant Union High School, Martin Luther King, Jr. Junior High School, and Don Julio Junior High School. The remaining schools continued to maintain targeted assistance programs.

A targeted assistance school is either ineligible or has chosen not to operate a school-wide program. The term targeted assistance signifies that Title I services are provided to a select group of children—those identified as failing, or most at risk of failing, to meet the State's content and student performance standards. Such schools can use their Title I funds only to pay for direct services to eligible children, as opposed to all children in the school. This means staff paid with Title I funds must be assigned to teach only children eligible for Title I. In addition, equipment or resources purchased with Title I funds must be used only by Title I-eligible children and their teachers.

On the other hand, federal law gives schools with an approved school-wide program much more flexibility in using their Title I funds. A school qualifies for a school-wide program if at least 50 percent of children enrolled in the school or residing in the school attendance area are from low-income families. Such schools may combine Title I money with other federal and state education funds to upgrade their entire educational program and raise academic achievement for all students. These schools need not identify particular children as eligible for services, nor do they need to show that Title I funds are paying for supplemental services that would otherwise not be provided or separately track the expenditure of federal dollars. They may use their Title I funds in the manner they choose, as long as they engage in reform strategies that increase the amount and quality of learning time and help provide a high-quality curriculum for all children based on a comprehensive plan to help meet the State's achievement standards.

Under the Title I program, a school that has an approved school-wide program may combine its Title I funds with other federal and state funds to upgrade the school's entire educational program.

GRANT HAS FAILED TO MEASURE THE EFFECTIVENESS OF ITS TITLE I PROGRAM

Despite the requirements of federal and state law, Grant has not taken the necessary steps to consistently measure the effectiveness of its Title I program. Since at least 1988, the federal government has required that schools receiving Title I funds account for outcomes—that is, student performance—rather than simply demonstrate conformance with fiscal rules. Current federal law requires schools to use assessments

developed by the State to annually review the progress of each school receiving Title I funds. State law also requires schools annually to administer comprehensive achievement tests and to evaluate their educational programs.

Education reviews whether school districts have complied with federal and state law and have developed criteria for evaluating programs such as Title I. Currently, Education allows school districts to apply for both state and federal categorical funds as part of one application. To continue to receive Title I funds, Grant is required to submit to a review of its consolidated programs once every four years, as part of a larger review of Grant's programs, activities, and procedures. In this review, Education determines whether Grant's site plans for using state and federal categorical funds address criteria for evaluating the effectiveness of these programs.

Grant could not demonstrate that it has consistently performed any type of evaluation of its Title I program during the last several years and, thus, cannot establish that its Title I program is working as intended. In fact, Education's review for fiscal year 1994-95 reported that Grant's site plans did not include a description of how the educational program would be evaluated, the board had not established criteria for evaluating program effectiveness, and Grant could not provide the reviewer the results of an annual evaluation. Education's review for fiscal year 1998-99 again expressed concerns about Grant's site plans and stated that criteria for evaluating the effectiveness of consolidated programs, previously established by the local governing board, did not meet current state and federal requirements. This same review explains that to be in compliance, Grant must provide a copy of the board-adopted criteria to evaluate the program's effectiveness, the results of the most recent evaluation using the criteria, and a modification plan if the program is found to be ineffective. Education also notes that this issue of noncompliance has continued since the last review and demands immediate and ongoing attention by Grant to ensure compliance.

Although required to evaluate the effectiveness of its Title I program, Grant has not done so for several years.

In response to Education's last review, Grant's Title I director now requires that school site plans for fiscal year 1999-2000 contain evaluative criteria and goals. For example, Grant Union High School's plan states that students will show an increase of 10 percent in test scores. However, Grant has not yet submitted a final response to the Title I issues, and Education has not determined whether the corrective action is appropriate.

The State now requires school districts to participate in a state-wide education accountability system whether or not Education accepts the corrective action proposed by Grant's Title I director. In October 1997, the governor approved a law establishing the Standardized Testing and Reporting (STAR) program. Under this program, each school must test all students in grades 2 through 11, using the Stanford 9 achievement test, to allow for statewide comparison of scores for individual students, schools, and school districts. In April 1999, the Legislature passed the Public Schools Accountability Act. This act attached achievement test scores to monetary and nonmonetary incentives for teachers and schools by creating the Academic Performance Index (index).

According to Education, Grant will satisfy Title I requirements if it appropriately responds to this overall accountability requirement and implements certain other measures. Under the new system, the State will hold each school accountable for making gains in student achievement every year. The State will develop annual expected growth targets for all schools based on their index. Any school that does not meet or does not make significant progress toward its growth targets may be required to contract with an external evaluator who will identify weaknesses. The evaluator and the school develop an action plan to improve academic achievement and implement the plan. If the school has not met its growth targets after two years, the State may impose other sanctions, ranging from allowing students to attend other schools of their choice to closing the school. Although Grant has implemented certain evaluative measures in response to the State's requirements, it is too early to determine whether the measures will demonstrate that Grant is using its Title I funds in the most effective manner.

Grant is implementing an evaluative process for all its students; however, it is too early to tell whether this process will demonstrate that Grant is using Title I funds effectively.

RECOMMENDATION

As Grant progresses in the development of its overall assessment process, it should consistently assess whether its Title I program is effective.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

Steven M. Hendrickson

for

MARY P. NOBLE
Acting State Auditor

Date: June 1, 2000

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APPENDIX A

A Comparison of Grant With Other School Districts

Although we are aware that each school district is unique, we compared the Grant Joint Union High School District (Grant) with four school districts that we determined were within a specified range of student enrollment, number of teachers, and funding. Each school district has the following characteristics:

- It is a high school district.
- Enrollment is between 9,475 and 11,763 students.
- The number of teachers is within approximately 30 percent of that at Grant.
- The general fund costs are within a range of approximately 19 percent more to 23 percent less than that spent at Grant.
- Current financial information was available from the California Department of Education (Education).

The four school districts we compared to Grant are as follows:

- El Monte Union High School District (El Monte)
- Salinas Union High School District (Salinas)
- San Dieguito Union High School District (San Dieguito)
- Whittier Union High School District (Whittier)

We recognize that each school district has a unique profile created by its differences from other school districts. The differences among the school districts should be considered when making comparisons. Grant is similar to the other districts in the percentage of total funds spent on classroom instructional program costs, administrative support, and pupil services when certain other costs such as plant maintenance and operations as well as educational activities performed by one school district on

behalf of others are excluded. However, when the same costs are compared on a per-student basis, Grant has the highest classroom instruction and administrative support costs, and it has the second-lowest pupil services cost. Further, Grant has the lowest average class size when compared with the other four districts, but it has the highest dropout rate.

Education has various definitions for categorizing educational costs. These five school districts report financial and demographic data to Education using standardized forms and definitions of various cost categories. For consistency, we use the following definitions in our report for comparative purposes:

- **Classroom instructional program costs** include salaries and benefits for classroom teachers and instructional aides, payment for textbooks and supplies, and payment for instructional equipment. These costs are incurred for such programs as classroom, adult, gifted and talented, and special education.
- **Administrative support costs** include salaries and benefits for the superintendent, clerical staff at the district office, fiscal services, and purchasing and warehouse staff members, as well as the administrative support costs for the school sites. These costs include salaries and benefits for principals, vice principals, directors or supervisors of instructional programs or curricular laboratories or special projects, and clerical staff members at the school site. This category also includes supplies, travel expenses, and equipment costs used for administrative support.
- **Pupil services costs** include the salaries and benefits for attendance officers, school social workers, guidance counselors, psychologists, and nurses and physicians, as well as the costs of supplies, travel expenses, and equipment.

Table 1 presents Grant's general fund classroom instructional program costs, administrative support costs, pupil services costs, and other costs for fiscal year 1998-99 as well as those of the other school districts.

TABLE 1

**General Fund Spent by Category
Fiscal Year 1998-99**

Program Title	Grant	El Monte	Salinas	San Dieguito	Whittier
Classroom instructional programs and projects	\$41,413,103	\$31,052,706	\$34,605,110	\$32,321,066	\$35,975,058
Administrative support	12,722,023	8,934,870	9,278,396	7,436,276	10,068,988
Pupil services	4,391,076	4,636,863	5,845,482	3,190,634	5,380,288
Subtotal	58,526,202	44,624,439	49,728,988	42,947,976	51,424,334
Other*	10,505,767	8,249,634	14,847,045	10,496,854	31,023,205
Total	\$69,031,969	\$52,874,073	\$64,576,033	\$53,444,830	\$82,447,539

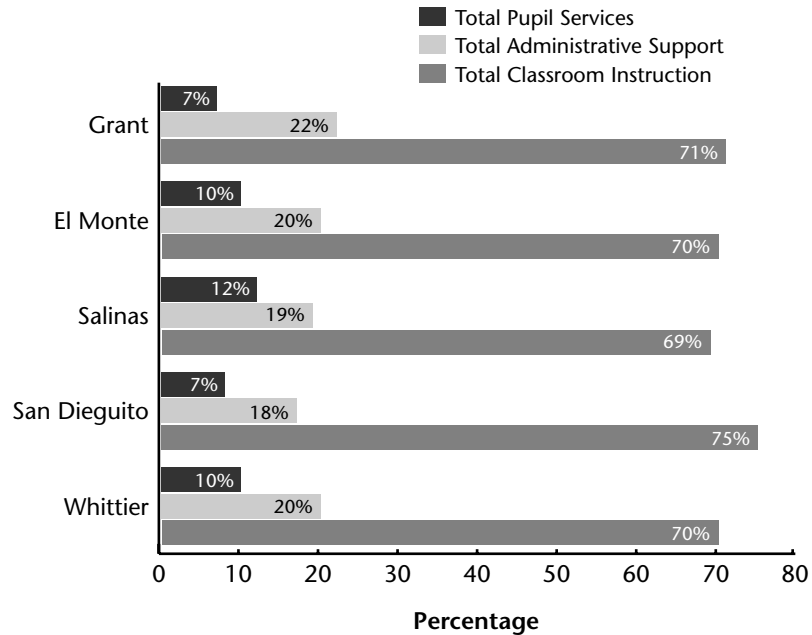
Source: California Department of Education's J-380s for the selected districts for fiscal year 1998-99.

* This category contains other expenditures not specifically identified, including pupil transportation, plant maintenance and operations, transfers to other funds, and educational activities performed by one school district on behalf of another.

Figure 1 shows the classroom instructional program costs for fiscal year 1998-99 varied slightly among the five districts, with San Dieguito showing the highest percentage (approximately 75 percent) of its funds used for classroom instructional programs. The other four districts spent 69 percent to 71 percent of their general fund expenditures on instructional programs. On the other hand, the proportion of funds used for pupil services is lowest at Grant and San Dieguito. The proportion of funds used for administrative support in the five districts ranged from 18 percent to 22 percent; Grant's was the highest at 22 percent.

FIGURE 1

Percentage of Classroom Instructional Programs, Administrative Support, and Pupil Services Spent by Category Fiscal Year 1998-99*



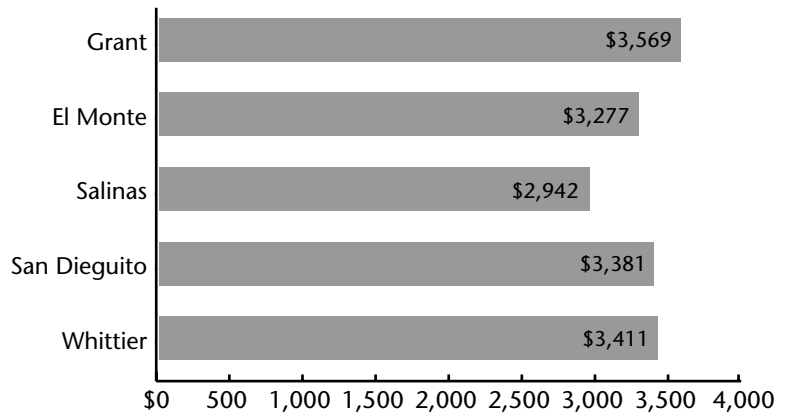
Source: Table 1 (page 41 of this report).

* The percentages shown represent the total category as a percent of the subtotal from Table 1. For example, the 71 percent shown for Grant as total classroom instruction represents the \$41.4 million of classroom instructional programs and projects costs divided by the subtotal of \$58.5 million from Table 1.

When classroom instruction costs are compared on a per-student basis, the number of dollars Grant spent per student for instruction were higher than all four of the other districts we reviewed. Figure 2 compares the average classroom instructional costs per student for Grant with those of the other school districts.

FIGURE 2

**Average Classroom Instructional Costs per Student
Fiscal Year 1998-99**

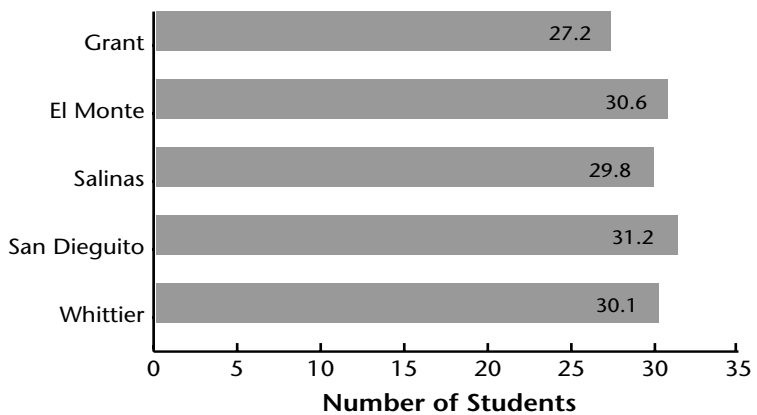


Source: California Department of Education's J-380s for the selected districts for fiscal year 1998-99 and its Web site for enrollment information.

Differences among the districts could affect their spending patterns. The percentage of funds used for classroom instructional programs may be influenced by other factors. For example, lower average class size could increase the instructional costs because the district would likely have a need for more teachers. As seen in Figure 3, Grant has an average class size of 27.2, the lowest among all the comparative districts.

FIGURE 3

**Average Class Size
Fiscal Year 1998-99**



Source: California Department of Education's Web site.

In addition, Table 2 shows that Grant has fewer students per teacher than three of the four other districts.

TABLE 2

**District Staffing-to-Students Ratios
Fiscal Year 1998-99**

District	Total Number of Students	Total Number of Administrators	Ratio of Administrators to Students	Total Number of Pupil Services Personnel	Ratio of Pupil Services Personnel to Students	Total Number of Teachers	Ratio of Teachers to Students
Grant	11,605	41	1:283	62	1:187	528	1:22
El Monte	9,475	32	1:296	57	1:166	362	1:26
Salinas	11,763	43	1:274	37	1:318	485	1:24
San Dieguito	9,559	27	1:354	33	1:290	430	1:22
Whittier	10,548	43	1:245	49	1:215	408	1:26

Source: California Department of Education's Web site.

A higher number of students limited in English proficiency may require more funds to be targeted to bilingual education and could increase instructional costs. Likewise, a higher enrollment may demand more books, supplies, equipment, and teachers, which would increase costs. Although Grant has the second-highest enrollment, Table 3 shows that it has a lower enrollment of students with limited proficiency in English, compared with total enrollment, than Salinas and El Monte.

TABLE 3

**Components of Enrollment
Fiscal Year 1998-99**

District	Total Enrollment	Enrollment by Ethnicity					English Learner [†]
		White	African-American	Hispanic or Latino	Asian	Other*	
Grant	11,605	5,616	1,914	1,931	1,586	558	1,952
	<i>Percent of total</i>	48%	16%	17%	14%	5%	17%
El Monte	9,475	467	59	7,239	1,572	138	2,585
	<i>Percent of total</i>	5%	1%	76%	17%	1%	27%
Salinas	11,763	2,146	254	8,411	244	708	5,229
	<i>Percent of total</i>	18%	2%	72%	2%	6%	45%
San Dieguito	9,559	7,725	66	1,100	586	82	370
	<i>Percent of total</i>	81%	1%	11%	6%	1%	4%
Whittier	10,548	2,433	128	7,556	221	210	1,609
	<i>Percent of total</i>	23%	1%	72%	2%	2%	15%

Source: California Department of Education's Web site.

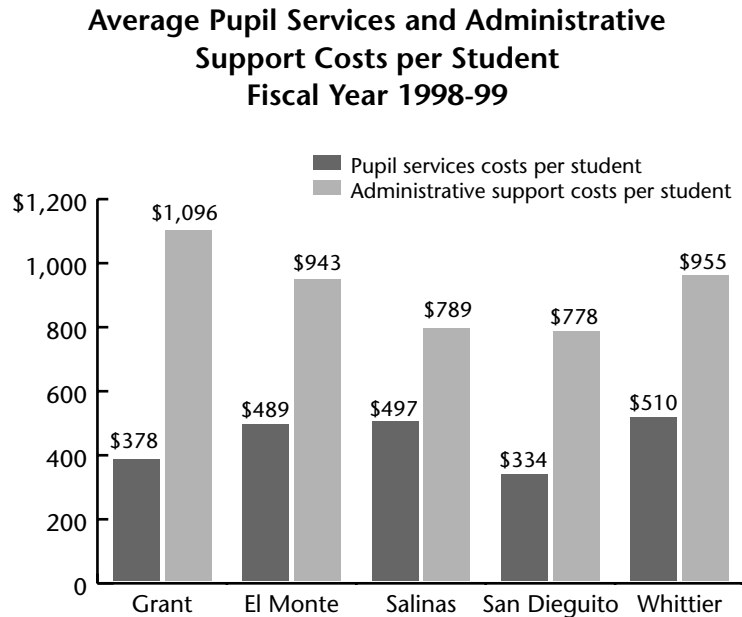
* This category includes other ethnic groups not specifically identified, as well as students who identified multiple ethnic groups or failed to respond.

† This category includes students who have a limited proficiency in English.

Grant's relatively low average class size, low ratio of teachers to students, and high enrollment would tend to increase the costs of instructional programs, whereas its lower enrollment of students with limited English proficiency would have the opposite effect.

Figure 4 shows that Grant has the second-lowest average pupil services costs per student and that its average administrative support cost per student is the highest among the five districts reviewed. This figure shows that Grant may have chosen to spend more of its funds on administrative costs rather than for pupil services costs, such as those associated with guidance counselors and attendance officers.

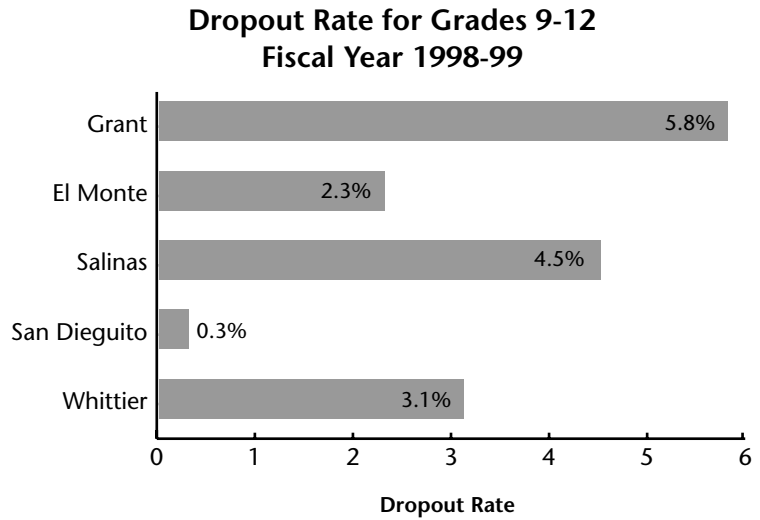
FIGURE 4



Source: California Department of Education’s J-380s and its Web site for enrollment information.

Figure 5 presents each district’s annual dropout rate. The annual dropout rate is the percentage of the total student enrollment that drops out of a school in a given year. In fiscal year 1998-99, Grant’s dropout rate of 5.8 percent was the highest of all the districts we compared. Education also calculates a four-year rate—derived from the percentage of students who eventually would drop out during a four-year period based on data collected in one year. Grant’s estimate is also the highest of the five districts at 21.8 percent. Salinas has the second-highest rate at 18.4 percent.

FIGURE 5



Source: California Department of Education's Web site.

Because the number of school sites can influence total administrative support costs, and because these costs include administrative support for the district's central office as well as for school sites, we separated administrative costs for the central office from school site administrative costs. Grant had the highest number of school sites (13) among the five school districts we reviewed. Consequently, it is not surprising that it had the highest percentage of school site administrative support costs. It also had the second-highest district central office administrative support costs. Table 4 provides a breakout of school site and central office administrative support costs.

TABLE 4

**Percentage of Administrative Support Costs
Fiscal Year 1998-99**

District	School Site	District Office	Total Administrative Support
Grant	10.9%	7.5%	18.4%
El Monte	9.3	7.7	17.0
Salinas	8.7	5.7	14.4
San Dieguito	8.5	5.4	13.9
Whittier	6.6	5.6	12.2

Source: California Department of Education's J-380s for the selected districts for fiscal year 1998-99.

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APPENDIX B

A Review of Grant Consultant Contracts for Calendar Year 1999

In response to concerns raised about the use of consultants by Grant Joint Union High School District (Grant), we reviewed its consultant contracts for calendar year 1999. These consultant contracts do not include agreements for advisory services currently under the responsibility of the legal counsel. (We discuss the need for the district to strengthen its controls over these agreements in Chapter 1.) The district spent approximately \$787,000 for consultant services during 1999, or approximately 1 percent of its total expenditures. Unlike other contracts, board policy has established a very low threshold that requires Grant staff to present to the board all consultant contracts greater than \$1,000 for its approval. Grant has followed this policy and, thus, has kept the board appropriately informed of its consultant contracts above the \$1,000 threshold.

Grant's consultant contract services generally seem typical of what a school district might require. According to the superintendent, Grant uses consultant contracts when district personnel either do not have the training or the time to perform a certain project. As shown in Table 5, 74 percent of the contracts furnish services to students, teachers, and school programs.

TABLE 5

Consultant Contracts for Calendar Year 1999

Type of Contract	Amount	Percent of Total
Evaluation and development of school programs	\$276,900	35%
Student services	184,910	24
Teacher and other staff training	119,842	15
Business	116,963	15
Other	88,088	11
Total consultant contracts	\$786,703	100%

Source: Grant's board meeting minutes and contract files.

The evaluation and development of school programs category includes an individual to assist in the development of Grant's Voluntary Integration Program as well as the external evaluators required for Grant to participate in the State's Immediate Intervention/Underperforming Schools program. Student services contracts include activities such as counseling services; promoting students' appreciation for literature, art, poetry, and cultural diversity; instructing students at its criminal justice academy; and furnishing parenting skills. Teacher and other training contracts include some general staff development, training on class scheduling, and developing teaching skills for reading and literature. Business contracts include the development of a hazardous material business plan and the implementation of a new accounting structure. The other category includes retaining a public relations firm and translation experts.

It is important to recognize that not all of these contracts are funded solely by district resources. Grant is reimbursed for certain contracts through special programs funded by others. For example, the California Department of Education is required to reimburse Grant \$200,000 of the \$276,900 in the evaluation and development of school programs category in Table 5, for the four schools participating in the Immediate Intervention/Underperforming Schools program.

Agency's comments provided as text only.

**DISTRICT RESPONSE TO
BUREAU OF STATE AUDIT DRAFT REPORT
GRANT JOINT UNION HIGH SCHOOL DISTRICT**

May 23, 2000

This document serves as the official response to the audit of the Grant Joint Union High School District ("The District") conducted by the Bureau of State Audits (BSA). This audit was initiated at the request of the California State Legislature, and was intended to focus on "Grant's administrative practices, rather than any actions it is taking to improve its educational programs." The District's response will include some general comments regarding the overall process and findings of the draft report, but it will focus principally upon the set of six summary recommendations offered by the BSA at this time.

In general, the District embraces the findings of the BSA draft report. The District acknowledges that historically, inconsistent leadership has resulted in substandard administrative practices. Since the publication of the 'Blue Ribbon Commission' Report, which criticized the District's leadership and outlined numerous recommendations, the current District Administration has accelerated efforts to significantly improve its educational service delivery and administrative accountability. In fact, the auditors acknowledged as much, stating, "for the areas we [the auditors] reviewed, we found that generally Grant was managed properly and spent funds appropriately." To that end, it is the District's belief that most of the recommendations of this audit are consistent with the reforms now being initiated by both the Governing Board and the Administration.

Following is the District's response to the six summary recommendations offered by the BSA in their draft report:

1. "Follow its own policies and state law for obtaining board approval when contracting for or purchasing goods and services."

The District acknowledges past weaknesses in its policies, procedures and practices regarding contracting and purchasing of goods and services, as noted in the audit. However, more recently the District has taken sufficient steps to address these concerns. At the beginning of FY 1999-2000, the District initiated the restructuring of its Business Services Division, adding a Budget Technician, and amending its procedures for monitoring all budgets and contracts (General Contracting). The reorganization provides for additional budget review and control over contract and purchasing procedures.

As a result of these changes, many of the concerns and recommendations of earlier studies have been corrected. As noted in the report, there was only one minor concern expressed in the budget area as a result of the audit. Additionally, at the request of the Governing Board, staff is reviewing the purchasing and contracting processes and policies. Additional recommendations for policy changes, including a policy for CMAS purchases, are under development and will be brought to the Governing Board in the near future.

2. “Maintain complete files of all signed agreements initiated by its legal counsel and prepare written agreements for all services it requests. These agreements should include complete descriptions of the work to be performed and Grant should require all contractors to submit detailed invoices.”

Within the past few months, the District has taken steps to resolve concerns regarding its contracting policies. In particular, the Governing Board has ordered that all primary contracts, and secondary contracts without prior budget approval, be submitted for advance approval by the Board. All secondary contracts that have been previously budgeted shall be submitted to the Governing Board for ratification. Additionally, the District shall examine and develop criteria for requiring an appropriate level of detail on all invoices.

The Grant District wishes to clarify its position regarding certain “unusual expenditures”. The audit report cited the “unusual expenditure” of retaining a lobbyist for the expressed purpose of legislative advocacy. The district Governing Board went on record in the state legislature in opposition of SB799 (Ortiz) because it felt the legislation was not in the best interest of its students and it would create serious problems of racial isolation and segregation. The reality is that approximately 2/3 of the school districts in the state routinely retain lobbyists to deal with legislative and policy issues in Sacramento and Washington. The District’s need to retain lobbyists on SB 799 was precipitated by action taken by the North Area Reorganization Committee, which is comprised of the elementary feeder districts who supported SB 799, and who themselves employ lobbyists to advocate on behalf of their collective interests.

3. “Safeguard its equipment and ensure the accuracy of its inventory records by performing a physical inventory of its equipment and updating its records.”

The District is taking steps to improve its inventory system. The errors noted in the audit, though substantive, have not resulted in any lost revenue to the district, nor have they served to provide any unfair financial advantage to the District by overstating the value of its inventory. Additionally, staff is finalizing a plan (to be completed in the next six months) for the completion of a physical inventory. During that time, new procedures to track and update inventory will be developed and implemented.

4. “Limit paid administrative leave by taking prompt action in disciplinary matters to ensure that it is prudently using funds and treating employees equitably.”

In acknowledging that past inconsistent leadership has resulted in substandard administrative practices, the current District leadership found significant issues relating to personnel which required immediate attention. In addressing the most glaring and onerous issues first, the District was unable to address every issue in a timely manner. The District has taken steps to correct this error, which includes conducting a search for an Assistant Superintendent of Human Resources to specifically address the issues noted in the report. The District will continue to review and evaluate its personnel policies and procedures so that issues may be decided upon in a timely and efficient manner.

5. “Tighten its controls over the review of volunteers’ files so that it does not permit access to schools campuses before the completion of background checks and tuberculosis screening to ensure the safety of its school campuses.”

The District takes seriously its commitment to providing and maintaining a safe school environment, and will take all reasonable and necessary measures to insure the safety of its students. The Grant Joint Union High School District’s policies and procedures for school site safety exceed those required by state law. Section 35021.1 of the California State Education Code states that “a school district or county office of education *may* request that a local law enforcement agency conduct an automated records check of a prospective nonteaching volunteer aid... .” The District “**voluntarily**” requires background checks for all prospective volunteers. Many other school districts in the state do not submit their volunteers to such screening procedures. The District acknowledges that it must continue to improve its compliance rates regarding its own policies and procedures in this area, and has taken steps to improve the volunteer screening process.

The District recommends that other school districts consider implementing similar policy regarding volunteer screening.

6. “Finally, as Grant progresses in the development of its overall assessment process, it should consistently assess whether its Title I program is effective.”

As noted in the auditor’s report, the District is currently working to improve the level of accountability in all of its educational programs, particularly those associated with Title I.

We generally agree to improve on our policies, practices and procedures, and are reviewing the other recommendations and will report on our progress in developing and implementing the recommendations suggested in the audit report. While five days was not a sufficient length of time to present any of the audit’s recommendations and propose solutions to the Governing Board for possible action, it is the District’s expectation that upon our audit review in six months it will have considered and recommended actions on the report’s recommendations.

The District invites continued program review, as we carry out our commitment to reform District administrative and educational policies in ways that improve the quality of education for our students.

(Signed by: Larry M. Buchanan)

Larry M. Buchanan, Ed.D.
Superintendent

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press