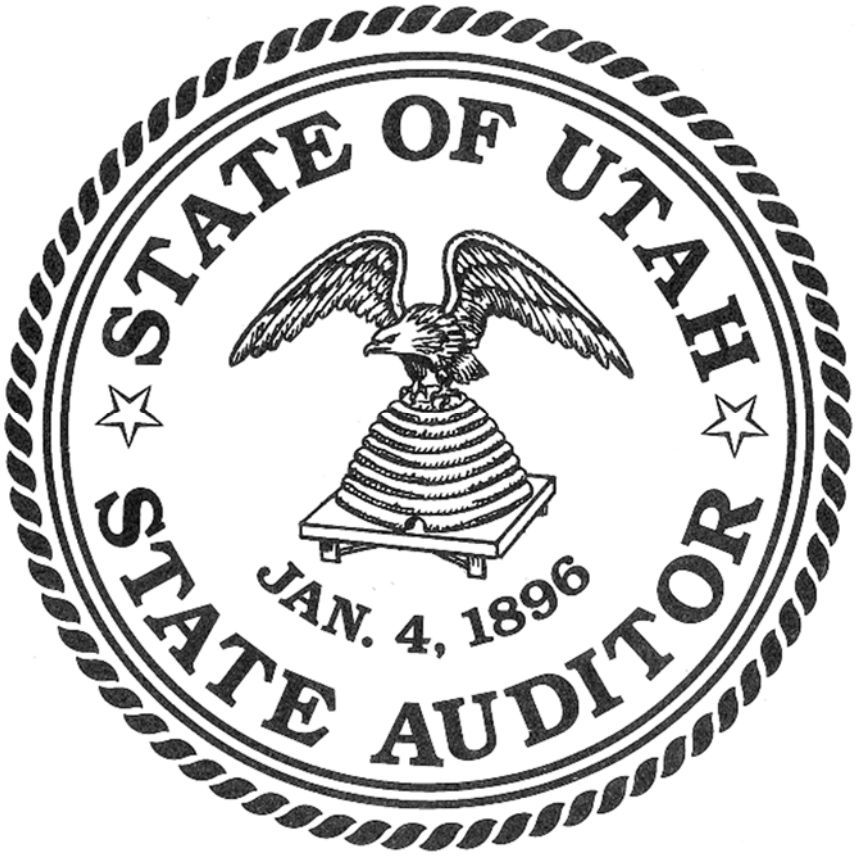
Performance Audit No. 18-01

A Performance Audit Of Local Education Agency Compliance With Procurement Requirements

March 2, 2018



OFFICE OF THE

STATE AUDITOR

Leadership: John Dougall
Nick Purse, JD, CIA

Staff: Dan Holladay, JD
Kelly Peterson, MPA
Michael Arnell, MSIS

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Executive Summary

Finding 1: Several LEAs Violated State Procurement Statutes, Rules, And Policies
Although state statutes, administrative rules, and local education agency (LEA) policies and/or charter agreements require compliance with the state procurement code (Utah Code Title 63G, Chapter 6a), several LEAs we sampled executed transactions without fully complying with applicable procurement requirements. In addition, other LEAs issued requests for proposals that lacked sufficient detail required under statute or failed to completely formalize contracts worth tens of thousands of dollars. We recommend that LEA board members and officials comply with applicable procurement statutes, rules, and policies. In addition, we recommend that the Utah State Board of Education and the Utah State Charter School Board work with the Utah Division of Purchasing to enhance LEA understanding of and compliance with applicable procurement laws and rules.

Finding 2: Multiple LEAs Failed To Comply With Record Retention And Open Meeting Statutes
Although all LEAs are required, whether through statute or contract, to comply with both the *Government Records Access and Management Act* and the *Open and Public Meetings Act*, systemic noncompliance across our audit sample with these statutes hampered our efforts to assess LEA compliance with the Utah Procurement Code. Various sampled LEAs failed to post public notice, produce open meeting minutes and recordings, properly close an open meeting, or otherwise retain required procurement documentation.

Since LEA board members and others may incur criminal liability for closed meeting and record retention violations, we recommend that LEA board members and officials comply with relevant closed meeting and record retention laws. We also recommend that the Utah State Board of Education and the Utah State Charter School Board work to enhance LEA understanding of and compliance with applicable open meeting and record retention laws.

Finding 3: Two Charter Schools Employed Related Parties Contrary To Contractual Obligations
Two charter schools within our sample employed individuals related to charter school officers contrary to state law and charter contract. These charter schools produced neither the required written disclosures to the charter school board nor any evidence of a board majority vote with abstentions by the related charter school officer from both the vote and any associated meetings. In response to these specific compliance issues, each charter school noted a lack of awareness or familiarity with the state laws in question and worked to update policy and practice accordingly. However, given the risk of charter termination, we recommend that the Utah State Charter School Board take steps to better train charter schools about statutory requirements for related party employment. We also recommend that charter schools comply with provisions of *The Utah Charter Schools Act* that place conditions upon related-party employment.

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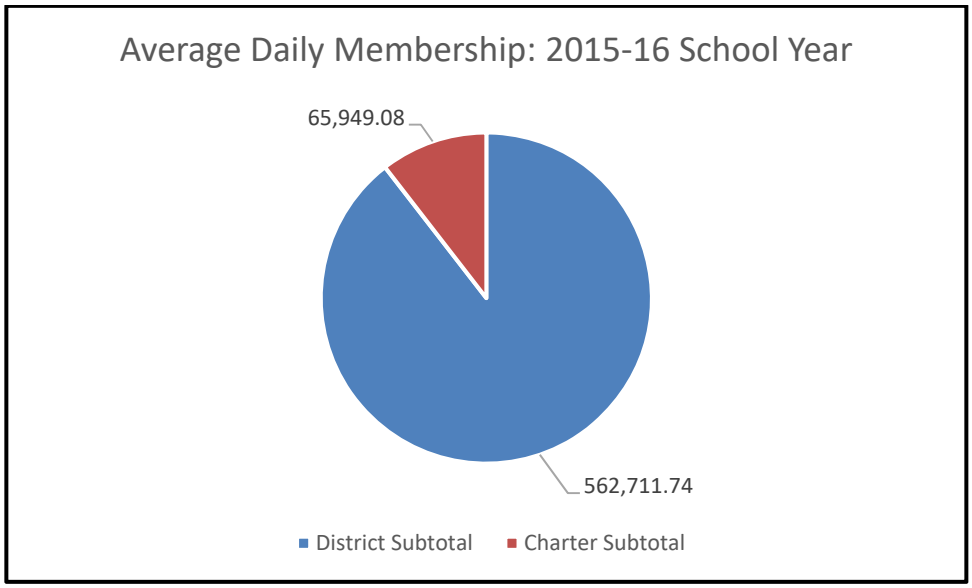
Background

The Utah Constitution vests "general control and supervision of the public education system" in the Utah State Board of Education (USBE),[1] which comprises members elected from 15 districts around the state.[2] In addition to USBE oversight, the Utah State Charter School Board (USCSB)—which comprises seven governor-appointed members[3]—is statutorily charged with "monitor[ing] charter schools authorized by the State Charter School Board for compliance with federal and state laws, rules, and regulations," among other duties.[4]

A total of 41 school districts and 106 charter schools[5] constitute the 147 local education agencies (LEA) in operation during state fiscal year (FY) 2016.[6] The chart below details the enrollment figures for the 2015-16 school year.



Source: 2015-2016 USBE ADM data reports.

[1] UT CONST. art. X, § 3. "General control and supervision" is defined in statute as "directed to the whole system"; however, the board "may not govern, manage, or operate school districts, institutions, and programs, unless granted that authority by statute." Utah Code §§ 53A-1-401(2)(b), 401(3).
[2] Utah Code § 20A-14-101.5(2).
[3] Utah Code § 53A-1a-501.5(2).
[4] Utah Code § 53A-1a-501.6(1)(c).
[5] In 1998, the Utah Legislature enacted H.B. 145, which authorized the "creation of up to eight charter schools for a three-year pilot program" and subjected each school to operation in accordance with the school's charter, Title 53A of the Utah Code, and other applicable laws, except as otherwise provided in statute. H.B. 145, 1998 General Session (Utah). Under Utah law, charter schools are

(a) "considered to be public schools within the state's public education system";
(b) subject to USBE discipline for violations of public education statutes or rules; and
(c) "governed by independent boards and held accountable to legally binding written contractual agreements." Utah Code §§ 53A-1a-503.5; 53A-1-401(8).

[6] The term LEA is defined as "a school district or charter school." Utah Code § 53A-30-102(6).

School districts are subject to a myriad of state statutes and administrative rules, in addition to specific policies and procedures. Charter schools typically have contractual obligations[7] that subject them to an array of state statutes and administrative rules. Specific state statutes are highlighted below.

Utah Procurement Code

All LEAs are subject to the Utah Procurement Code (UPC),[8] the purposes and policies of which "are:

1) to ensure transparency in the public procurement process;
2) to ensure the fair and equitable treatment of all persons who participate in the public procurement process;
3) to provide increased economy in state procurement activities; and
4) to foster effective broad-based competition within the free enterprise system."[9]

To this end, the UPC states that charter schools and school districts[10] may *not* obtain a procurement item (i.e., a supply, a service, or construction[11]) unless they (1) use the "standard procurement process," or some specific exception to the UPC in accordance with applicable UPC statutes and administrative rules, and (2) comply with the procurement code *and* "rules made pursuant to [the procurement code] by the applicable rulemaking authority."[12] The "[s]tandard procurement process means:

(a) the bidding process;
(b) the request for proposals process;
(c) the approved vendor list process;
(d) the small purchase process; or
(e) the design professional procurement process."[13]

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[7] Our reference to charter school "contractual obligations" in this report refers to obligations inherent in each charter school's "charter agreement," which is defined under *The Utah Charter Schools Act* as "a *contract* between the charter school applicant and the charter school authorizer" and must include "assurances" that the charter school's governing board will comply with "applicable federal law, state law, and State Board of Education rules," among other requirements. Utah Code § 53A-1a-508(1)(a), (2)(f)(i)(C) (emphasis added).

[8] Utah Code §§ 63G-6a-103(32), 103(60)(a)(iv), 110(1)(a); 53A-1a-511(5); Utah Admin. Code R277-11-6(A)(2).

[9] Utah Code § 63G-6a-102.

[10] *See* Utah Code § 63G-6a-103(32), (60)(a)(iv).

[11] Utah Code § 63G-6a-103(58).

[12] Utah Code § 63G-6a-110(1)(a). Utah Administrative Code Rule 33, which includes procurement-specific rules, applies to "[a] procurement unit for which the Utah State Procurement Policy Board is identified" as "the applicable rulemaking authority, except to the extent the procurement unit has adopted its own administrative rules as authorized under [Utah Code § 63G-6a-103(3)]." Utah Admin. Code R33-1-2(1)(a). Since the UPC defines the "Board" as "the Utah State Procurement Policy Board" and it defines the "applicable rulemaking authority . . . for a school district or a public school" as "the board," it appears that the Utah State Procurement Policy Board is the applicable rulemaking authority for LEAs, unless they are otherwise authorized to adopt their own administrative rules. Utah Code § 63G-6a-103(1)(e), (7); Utah Admin. Code R33-1-2(1)(a).

[13] Utah Code § 63G-6a-103(87).

Government Records Access and Management Act
The Utah Legislature enacted the *Government Records Access and Management Act* (GRAMA) in recognition of "(a) the public's right of access to information concerning the conduct of the public's business; and (b) the right of privacy in relation to personal data gathered by governmental entities."[14] School districts and charter schools are both subject to GRAMA.[15]

In addition, the UPC requires that "[a]ll procurement records shall be retained and disposed of in accordance with [GRAMA]."[16] And GRAMA refers to the *Public Records Management Act* (PRMA) regarding disciplinary action that a governmental entity may take "against any employee of the governmental entity who intentionally violates any provision" of GRAMA or PRMA's record preservation provisions.[17] Under PRMA, it is a class B misdemeanor to "intentionally mutilate, destroy, or to otherwise damage or dispose of the record copy of a record" contrary to applicable retention schedules.[18]

Open And Public Meetings Act
The Utah Legislature enacted the *Open and Public Meetings Act* (OPMA) to ensure "that the state, its agencies, and its political subdivisions: (a) take their actions openly; and (b) conduct their deliberations openly."[19] Both school districts and charter schools are subject to OPMA.[20]

Related-party Transaction Prohibitions Under The Utah Charter Schools Act
The Utah Charter Schools Act forbids (1) the employment of a relative of a charter school officer at a charter school and (2) the financial interest of a charter school officer or a relative of a charter school officer in a contract or transaction involving a charter school in which the charter school officer serves as a charter school officer unless the charter school officer:

(i) discloses the relationship (or financial interest), "*in writing*, to the other charter school officers";
(ii) submits the employment decision (or the contract or transaction decision) "to the charter school's governing board for approval, by majority vote, of the charter school's governing board";
(iii) "abstain[s] from voting on the issue"; and
(iv) is "absent from any meeting when the [employment or the contract/transaction] is being considered and determined."[21]

[14] Utah Code § 63G-2-102(1).
[15] Utah Code §§ 63G-2-103(11)(a)(iv); 53A-1a-511(6)(b); Utah Admin. Code R277-113-6(A)(6).
[16] Utah Code § 63G-6a-2002(1).
[17] Utah Code § 63G-2-804.
[18] Utah Code § 63A-12-105(3).
[19] Utah Code § 52-4-102(2).
[20] Utah Code §§ 52-4-103(9)(a)(i); 53A-1a-511(6)(a).
[21] Utah Code § 53A-1a-518(2), (3) (emphasis added).

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Finding 1 Several LEAs Violated State Procurement Statutes, Rules, And Policies

Although state statutes, administrative rules, and local education agency (LEA) policies and/or charter agreements require compliance with the state procurement code (Utah Code Title 63G, Chapter 6a),[22] several LEAs we sampled[23] executed transactions without fully complying with applicable procurement requirements. In addition, other LEAs issued requests for proposals (RFPs) that lacked sufficient detail required under statute or failed to completely formalize contracts worth tens of thousands of dollars. We recommend that LEA board members and officials comply with applicable procurement statutes, rules, and policies. In addition, we recommend that the Utah State Board of Education (USBE) and the Utah State Charter School Board (USCSB) work with the Utah Division of Purchasing to enhance LEA understanding of and compliance with applicable procurement laws and rules.

Several LEAs Failed To Complete A Competitive Bid Process

Five out of 14 total sampled LEAs violated various competitive bid provisions of the Utah Procurement Code (UPC) and internal LEA policies in executing transactions with service providers over the last several fiscal years.[24] Figure 1.1 summarizes these violations, each of which are detailed further throughout this finding.

Figure 1.1 LEA Transactions In Violation Of Procurement Requirements

LEA	Total Amount[25] Of Transaction/Contract	Required Invitation for Bids (IFB) or Request for Proposals (RFP) Process Completed?	Receipt of Bid/Proposal in Response to IFB/RFP?	Written Justification Statement (required for RFP)?
A	$1,182,454.14	Unclear[26]	No	N/A (IFB)[27]
D	$538,175.80	No	No	No
F[28]	$83,999.27	N/A (Sole source)	N/A (Sole source)	N/A (Sole source)
H	$316,800.00	No	No	No
N	$107,373.61	No	No	No

Source: Various LEA procurement files and communications.

[22] Utah Code §§ 63G-6a-103(32), (60)(a)(iv); 110(1)(a); Utah Admin. Rules R277-100-2(9)(a); R277-113-6(A)(2).
[23] See Appendix A for more detail regarding sample methodology.
[24] At a minimum, each LEA noted in this finding paid these vendors during state fiscal year (FY) 2016; however, some LEA transaction amounts include amounts paid out under the same contract for several years prior to FY 2016.
[25] With the exception of LEA H, all amounts paid are drawn from the amounts reported on the Utah Public Finance Website (https://www.utah.gov/transparency/). The amount for LEA H is drawn from amounts reported spent within independently audited financial statement reports filed yearly with the Office of the State Auditor.
[26] Although we have documentation of an apparent IFB/RFP, since no bid/proposal was received from the vendor ultimately awarded the contract, it is unclear whether the ultimate contract award resulted from this IFB/RFP.
[27] This procurement appeared to follow the invitation for bids process, which does not require a written justification statement. *See* Utah Code § 63G-6a-606(3).
[28] As detailed later in this finding, LEA F improperly pursued a sole source procurement.

LEA H Paid Over $300,000 To An Interested Service Provider Without A Competitive Bid

From state fiscal years (FY) 2012-16, LEA H paid out well over $50,000 per year for a total of more than $300,000 to a service provider with which conflicts of interests existed and for which no competitive bid was ever attempted—in violation of both policy and statute. More specifically, board members and LEA staff actually requested the following RFP materials from the service provider *after* they had already formally voted to approve the contract in which two board members have a personal financial interest:

- "[A]n outline of something that we could use for an RFP"
- "[W]e're wanting more specifics so if we did an RFP sometime if we had to do one . . ."
- "The way to think about it is just to have an 'RFP-able' description that you [the service provider] would feel comfortable with."
- "We're just wanting it for future reference. If we ever had to send out an RFP, we'd want to know exactly what to put."[29]

In response, the *owner* of the service provider—who was and is also a current board member—acknowledged that

> those are *questions that the auditors ask* when they come, too. They're going to say, "Was this done right? Was it according to statute?" and they'll sit at the office and we have to justify it. And it will show up in an audit that you contract with [service provider] and that there's two people on the board.

This interested board member further acknowledged that any contract "over 50,000 bucks you're *supposed* to send out" for competitive bid. However, despite this concession, this individual explained to the other board members that a contract with the service provider owned by this individual is *not* subject to competitive bid and is "not as big a deal because we provide a 60-day cancellation on purpose in this contract, so it's really only a $10,000 contract"—not a contract of $50,000 or more. However, a contract-termination clause does not constitute a *separate contract* that might justify a small purchase in lieu of a competitive bid. In fact, this board member acknowledged *in writing* to the board that the full cost of the contract for a full school year would *exceed* $50,000, which is an expenditure amount for which LEA policy would have required a formal RFP or IFB.

Despite this, the second interested board member—the board chair—noted that an RFP would not be "a bad idea" and that other vendors "that do this kind of thing might not bother bidding." After some discussion regarding what sorts of services and fees competitor vendors provide and charge, the rest of the exchange proceeded as follows:

> **Service Provider Owner/Board Member:** "I mean you can in the State Procurement Code say, hey, there's only one source for this, and you can justify it. You don't need to do an RFP if there's only one source."

[29] Quotations cited throughout this section constitute transcriptions made of an LEA H meeting recording.

Board Chair with Financial Interest: "There's other accounting firms and . . ."

Board Member H: "Well, if it's a $10,000 contract instead of a [contract over $50,000], then I think we should . . . I'm comfortable with paying . . . it's within the law if we don't RFP."

Service Provider Owner/Board Member: "We're comfortable too because all our schools, you know, some schools don't have boards and they'll do this. And so, and what'll happen is our competitors know that we're tightly connected with [LEA H] and most of them won't answer the RFP because . . ."

Board Chair with Financial Interest: "It's a lot of work to answer an RFP."

At this point, the board members decide to postpone completing an RFP until "sometime in the next six months" because they had "so many other things to do." However, the current LEA H director—who also served in the same capacity at the time of these discussions—later acknowledged that there was "no evidence in subsequent months that a competitive bid was solicited" while conceding that "seeking competitive bids through RFP (or similar) [*sic*] for 50k+ projects is our normal procedure." In addition, the LEA director admitted "no record or memory of the RFP-ready description . . . being delivered to the board." Regarding a question as to why no competitive bid process was ever later pursued, the LEA director acknowledged the "clear conflicts of interest" and that the LEA "should have" secured competitive bids, but that it appears the issue "was overlooked in the midst of pressing board business . . . ."

In summary, we are concerned with what appears to have been an attempt to justify circumvention of procurement requirements through a divided purchase, which is a violation of state statute.[30] At the very least, it is concerning that board members with a confirmed financial interest in the transaction were permitted to discuss—during a board meeting—the propriety of the procurement method by which they would ultimately benefit financially.

LEA D Paid Over $500,000 To A Vendor Without A Competitive Bid

LEA D paid over $500,000 to a vendor from which it did not appear to receive a bid/proposal. Although we documented bids received from *other* vendors for the procurement of services, this LEA provided insufficient documentation to confirm the receipt of an actual bid from the *winning* vendor prior to the contract for the services procured.

Furthermore, this LEA claimed no competitive bid process was undertaken to secure the contract with this particular vendor because the services secured fell within the small purchase requirements. However, this LEA's policies expressly forbid any expenditure of more than $5,000 of combined procurement services from one vendor at one time for services costing less than $1,001 per service. In addition, this LEA's policies prohibit small purchase expenditures totaling

[30] At least as early as 2005, the state procurement code prohibited "artificially" dividing a procurement "so as to constitute a small purchase" under normal small purchase statutes. *See* HB19, Utah State Legislature (2005 General Session).

more than $50,000 per fiscal year to the same vendor. Otherwise, expenditures in excess of this "annual cumulative threshold" are "*not* considered a small purchase and shall be processed through a bidding process or a request for proposals (RFP) process (Utah Code 63G-6a-408 and Utah Administrative Code R33-3)." Despite these policies, payments to this vendor appeared to exceed $5,000 at a time (e.g., in a single day) *nearly sixty times* over a seven-year period.[31] Furthermore, in each of the seven fiscal years under contract with this particular vendor, this LEA expended over $50,000 *each year*. Thus, this LEA's claim that this particular procurement was exempt from competitive bid defies both statute and policy in effect during the procurement period. According to the Division of Purchasing, an entity should stop its ongoing purchase of products or services from a vendor *as soon as* the annual expense is expected to exceed the applicable procurement threshold. At this point, the expectation—from the perspective of the Division of Purchasing—is that the entity will undergo a standard competitive procurement process.

LEA A Paid Over $1,000,000 To A Vendor For Which No Bid Was Documented

Over a three-year period, LEA A paid over $1,000,000 to a vendor from which no actual bid was either documented as received and/or retained. This LEA opened an invitation for bids for a twelve-day period in FY 2014, after which it received bids from at least three vendors. However, despite our request for "any and all documentation" related to this particular procurement—with specific requests for "all proposals" received in response to the solicitation—LEA A did not document receipt of a bid from this particular vendor. Thus, it is unclear and undocumented whether this particular contract resulted from a proper procurement process, as required under both state law and LEA policy.

Our concern over the missing bid is heightened not only due to the size of the contract, but also due to the presence on the LEA board of directors of a top executive of the service provider awarded the contract. And although this interested board member, according to the meeting minutes, appeared to both abstain from voting and leave the board meeting during which this contract was ultimately approved,[32] LEA A could not produce documentation of the statutorily required written disclosure to the rest of the board. And since LEA A could not produce a recording of this particular meeting (see Finding 2), we cannot substantiate with any detail to

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[31] Although some contracts identified throughout this finding appear to violate the current statutory restriction against "multiyear" contracts in excess of five years (Utah Code § 63G-6a-1204(7)), the legislation enacting that prohibition, S.B. 153 during the 2012 General Session, went into effect on May 1, 2013. Consequently, none of the contracts we specifically address in this report appear to violate the multiyear contract restriction.

[32] *The Utah Charter Schools Act* (UCSA) prohibits "a charter school officer or a relative of a charter school officer [from having] a financial interest in a contract or other transaction involving a charter school in which the charter school officer serves as a charter school officer." Utah Code § 53A-1a-518(3)(a). However, the UCSA does allow an exception. "If a charter school's governing board considers entering into a contract or executing a transaction in which a charter school officer or a relative of a charter school officer has a financial interest, the charter school officer shall:

(i) disclose the financial interest, *in writing*, to the other charter school officers;
(ii) submit the contract or transaction decision to the charter school's governing board for the approval, by majority vote, of the charter school's governing board;
(iii) abstain from voting on the issue; and
(iv) be absent from any meeting when the contract or transaction is being considered and determined." Utah Code § 53A-1a-518(3)(b) (emphasis added).

what extent, if any, the interested board member's presence may have impacted the board's ultimate decision to award the contract.

Lack of documentation notwithstanding, the subsequent involvement of this interested board member in LEA A's financial dealings caused significant concern for the LEA A board. The LEA A board ultimately severed the contract with this particular service provider after LEA A "was put on warning status by the state" because of "graduation rates, transfer rates, retention rates, and Sage testing" that were "[l]argely due to conflicts with using [the service provider] to facilitate" distance education curriculum.

LEA N Paid Over $100,000 To A Vendor Without A Competitive Bid

LEA N paid over $100,000 to a vendor in FY 2016 without securing the contract under the competitive bid requirements outlined in law, rule, and policy.[33] Personnel at this LEA claimed that the procurement "was below the threshold requiring an RFP or formal bid process, and no RFP was issued." However, state statute, administrative rule, and LEA policy all clearly required competitive bidding for any transaction in excess of $100,000.[34]

LEA F Improperly Pursued A Sole Source Procurement

LEA F paid over $80,000 during one school year to a vendor for which sole source procurement documentation was not completed until more than a year *after* the initial expenditure of funds to that vendor. Under the UPC, a procurement unit is permitted to "award a contract for a procurement item without engaging in a standard procurement process if the chief procurement officer or the head of the procurement unit with independent procurement authority determines *in writing* that . . . only one source for the procurement item" exists.[35] Although this LEA provided substantial sole source documentation for this particular procurement, the documents provided were dated well over a year after the initial expenditure of funds to this vendor and the LEA conceded that it "did not have a sole source agreement with [the vendor] at the time of the procurement activity in question."

Three LEA Requests For Proposals Lacked Required Detail

Three LEAs in our sample failed to include statutorily-required RFP components. RFPs from two different LEAs neither stated "the relative weight that will be given to each score for the criteria" used to evaluate each proposal received nor "the formula that will be used to determine the score awarded for the cost of each proposal"—both of which are required elements in every RFP.[36]

A third LEA did not state the relative weight for one specific criterion that appeared to ultimately tip the contract award from one proposal to another. This LEA's RFP outlined five specific criteria along with the assigned weights for each. After these five criteria were scored for each proposal,

[33] Utah Code §63G-6a-506(3); Utah Admin. Rule R33-5-108(1).
[34] Utah Code §63G-6a-506(3); Utah Admin. Rule R33-5-108(1).
[35] Utah Code §63G-6a-802(1)(a) (emphasis added).
[36] Utah Code §63G-6a-703(2).

one proposal had more points than any other. However, although the RFP prefaced the explanation of the five criteria with a statement that the "contractor that is ranked the highest will represent the best value for [the LEA]," the LEA assigned a subsequent interview score as a *sixth* criterion—for which no score and weight detail was included in the RFP—to the two highest ranked proposals. This *additional* score resulted in the previously second-ranked proposal leaping ahead to first place and ultimately earning the contract award.

Three LEAs Did Not Secure Contracts Signed By Both Parties

Our audit sample revealed a total of four contracts for services procured by three different LEAs in which one or both parties to the contract did not sign the agreement. Figure 1.2, below, details these contracts.

Figure 1.2 LEA Contracts Unsigned By One Or Both Parties

LEA	Contract	LEA Signature	Vendor Signature	Contract Term Length[37]	Amount Paid Out Under Contract Thru FY 2016
A	1	Yes	No	One year	$140,830.80
E	2	No	No	Five years	$79,310.00
E	3	No	No	Ongoing (60-day termination)	$77,558.44
H	4	No	Yes	Ongoing (60-day termination)	$316,800.00

Source: Utah Public Finance Website and LEA contracts.

Although the execution of a contract signed by both parties is not an explicit requirement of the state procurement code, the failure to secure the signature of both contracting parties may jeopardize the validity of the contract.[38] Given the large amount of money paid out to these vendors, not formalizing the contract appears to constitute an unnecessary business risk.

Two LEAs Executed Incomplete Written Justification Statements

Two LEAs that undertook an RFP process did not complete written justification statements that included key statutory requirements. The UPC requires procurement units conducting an RFP process to prepare a written justification statement that "(i) explains the score assigned to each evaluation category" and (ii) "explains how the proposal with the highest total combined score provides the best value to the procurement unit in comparison to the other proposals," among

[37] Although some contracts identified throughout this finding appear to violate the current statutory restriction against "multiyear" contracts in excess of five years (Utah Code § 63G-6a-1204(7)), the legislation enacting that prohibition, S.B. 153 during the 2012 General Session, went into effect on May 1, 2013. Consequently, none of the contracts we specifically address in this report appear to violate the multiyear contract restriction.

[38] More specifically, under state law, agreements that cannot be performed within one year are void unless the agreement "is in writing, signed by the party to be charged with the agreement." Utah Code § 25-5-4(1)(a).

other requirements.[39] However, one LEA wrote a memo to the LEA governing board announcing the selection of the winning vendor, but failed to include any explanation regarding the scores assigned to each evaluation category. The second LEA used score sheets, but did not include an explanation as to how the highest-scoring proposal would provide the best value to the LEA.

Procurement Noncompliance May Undermine The Fulfillment Of Statutory Procurement Code Objectives

The UPC's stated purposes "are:

1) to ensure transparency in the public procurement process;
2) to ensure the fair and equitable treatment of all persons who participate in the public procurement process;
3) to provide increased economy in state procurement activities; and
4) to foster effective broad-based competition within the free enterprise system."[40]

While we have not attempted to substantively test, address, or pass judgment on the net positive or negative impact on student outcomes (or other measures) that may result from LEA procurement code compliance, it appears that noncompliance may undermine the stated objectives of the procurement statute. Additionally, a failure to create and/or retain required procurement records negatively impacts LEA transparency to the public (see Finding 2). Thus, we recommend that LEA board members and officials comply with applicable procurement statutes, rules, and policies. Also, we recommend that the USBE work with the Utah Division of Purchasing to identify procurement practices that improve student achievement and those practices that add regulatory burden that impairs student achievement.

Charters May Be Terminated For Procurement Noncompliance

The USCSB "may review or terminate the charter based upon factors that may include:

(1) failure to meet measures of charter quality which includes adherence to a charter agreement required and monitored by chartering entities; or
(2) charter school deficiencies; or
(3) failure of the charter school to comply with federal or state law or regulation, Board rules, or Board directives."[41]

Since all charter schools included within our audit sample operate under signed charter agreements that require compliance with the UPC, charter schools identified as having violated state procurement laws (or GRAMA or OPMA, as discussed in Finding 2) risk charter termination.

[39] Utah Code § 63G-6a-708(1)(a).
[40] Utah Code § 63G-6a-102.
[41] Utah Admin. Code R277-481-4(A).

Some LEAs Expressed General Confusion Regarding Procurement Requirements

The lack of compliance with applicable procurement requirements noted throughout this finding may be partially explained by general confusion or lack of awareness regarding these requirements. For example, an official at one sampled LEA expressed a desire for better training. At another LEA, board officials openly questioned the legality of a procurement and expressed confusion as to procurement requirements even as they moved forward to officially award a contract.

The Utah Constitution vests "general control and supervision of the public education system" in the USBE.[42] In addition, both *The Charter Schools Act* and USCSB bylaws mandate that the USCSB "monitor charter schools authorized by the [USCSB] for compliance with federal and state laws, rules, and regulations."[43] Thus, we recommend that the USBE and the USCSB work with the Utah Division of Purchasing to enhance LEA understanding of and compliance with applicable procurement laws and rules.

Recommendations

1. We recommend that local education agency board members and officials comply with applicable procurement laws, rules, and policies.

2. We recommend that the Utah State Board of Education work with the Utah Division of Purchasing to identify procurement practices that improve student achievement and those practices that add regulatory burden that impairs student achievement.

3. We recommend that the Utah State Board of Education and the Utah State Charter School Board work with the Utah Division of Purchasing to enhance LEA understanding of and compliance with applicable procurement laws and rules.

[42] UT CONST. art. X, § 3. "General control and supervision" is defined in statute as "directed to the whole system"; however, the board "may not govern, manage, or operate school districts, institutions, and programs, unless granted that authority by statute." Utah Code § 53A-1-401(2)(b), 401(3).
[43] Utah Code § 53A-1a-501.6(1)(c).

Finding 2 Multiple LEAs Failed To Comply With Record Retention And Open Meeting Statutes[44]

Although all local educational agencies (LEAs) are required, whether through statute or contract, to comply with both the *Government Records Access and Management Act* (GRAMA) and the *Open and Public Meetings Act* (OPMA),[45] systemic noncompliance across our audit sample[46] with these statutes hampered our efforts to assess LEA compliance with the Utah Procurement Code[47] (see Finding 1). Various sampled LEAs failed to post public notice, produce open meeting minutes and recordings, properly close an open meeting, or otherwise retain required procurement documentation.

Since LEA board members and others may incur criminal liability for closed meeting and record retention violations,[48] we recommend that LEA board members and officials comply with relevant closed meeting and record retention laws. We also recommend that the Utah State Board of Education (USBE) and the Utah State Charter School Board (USCSB) work to enhance LEA understanding of and compliance with applicable open meeting and record retention laws.

One LEA Failed To Adequately Post Public Notice For A Meeting In Which It Approved A Contract Tied To A Former Board Member

One LEA failed to provide statutorily required notice under OPMA for a meeting in which its board approved a contract for over $50,000. The contract itself states that it "was approved at a public meeting held by the directors of [LEA]" on a specific date. However, the Utah Public Notice Website has no record of any notice or agenda posted *for the entire year* during which that board meeting was allegedly held. OPMA requires that a public body "give not less than 24 hours' public notice of each meeting," which must include the "(i) agenda; (ii) date; (iii) time, and (iv) place" of

[44] This audit was neither intended nor designed to comprehensively test LEA compliance with the *Government Records Access and Management Act*, the *Open and Public Meetings Act*, or similar statutes and rules. Instances noted in this finding reflect only those facets of record retention and open meeting requirements readily apparent to our team as we attempted to assess LEA procurement compliance.
[45] *See* Utah Code §§ 53A-1a-511(5), (6); 63G-2-103(11)(a)(iv); 52-4-103(9)(a)(i).
[46] See Appendix A for more detail regarding sample methodology.
[47] The Utah Procurement Code (UPC) requires that "[a]ll procurement records shall be retained and disposed of in accordance with Title 63G, Chapter 2, Government Records Access and Management Act." Utah Code § 63G-6a-2002(1). More specifically, the UPC requires that a procurement unit "keep, and make available to the public, upon request, written records of procurements for which an expenditure of $50 or more is made" for *at least* six years. Utah Code § 63G-6a-2002(3). The Utah Division of Purchasing within the Department of Administrative Services confirmed that these "written records of procurement" include RFPs, proposals, written justification statements, and anything else that the procurement code explicitly requires be written down during the procurement process.
[48] Utah Code §§ 52-4-305; 63A-12-105(3).

the meeting.[49] Notice—at a minimum—must include posting "on the Utah Public Notice Website," among other notice methods.[50] "Any final action" taken contrary to public notice requirements is "voidable by a court of a competent jurisdiction."[51]

Further, as noted later in this finding, neither meeting documentation (e.g., minutes and a recording) nor request for proposals (RFP) records created for this contract were preserved. This comprehensive lack of documentation is concerning given that the contract in question was ultimately awarded to the firm run by a former board member who—at least initially—appears to have been involved in the procurement process that resulted in this contract before stepping down from the board. However, our team could neither complete a compliance evaluation nor substantiate any related-party transaction due to the lack of record keeping.

Four LEAs Failed To Produce Open Meeting Minutes And Recordings

Four LEAs failed to produce required open meeting minutes and recordings upon request, which is contrary to OPMA.[52] Figure 2.1, below, details the missing OPMA documentation for the four sampled LEAs.

Figure 2.1 OPMA Compliance

LEA	Requested Meeting Minutes Produced	Requested Meeting Recordings Produced
A	Yes	No (4 of 4 meeting recordings requested missing)
H	Yes	No (3 of 4 meeting recordings requested missing)
J	Yes	No (3 of 4 meeting recordings requested missing)
N	No	No

Source: LEA correspondence, meeting minutes and recordings, and other procurement documentation.

OPMA mandates that "written minutes and a recording shall be kept of all open meetings."[53] Since the minutes are required to include "the names of members present and absent," "the substance of all matters proposed, discussed, or decided," and "a record, by individual member, of each vote taken,"[54] it was impossible—absent a corresponding recording—to determine whether certain LEA contracts were properly noticed, discussed, and approved when an LEA failed to create or retain meeting minutes. Furthermore, since an open meeting recording must "be a complete and unedited record of all open portions of the meeting from the commencement of the meeting through adjournment of the meeting,"[55] reliance upon meeting minutes was inadequate when there was also no recording of the meeting. Finally, the nonexistence of both minutes *and* a recording made compliance assessment impossible.

[49] Utah Code § 52-4-202(1)(a)(i), (b).
[50] Utah Code § 52-4-202(3)(a)(i)(B).
[51] Utah Code § 52-4-302(1)(a). However, "a suit to void a final action shall be commenced within 90 days after the date of the action." Utah Code § 52-4-302(1)(b).
[52] Utah Code §§ 52-4-203(1), (2), (4)(g), (6); 52-4-204(1)(a).
[53] Utah Code § 52-4-203(1).
[54] Utah Code § 52-4-203(2)(a).
[55] Utah Code § 52-4-203(3).

Multiple LEAs Failed To Produce Required Procurement Documentation

Multiple LEAs failed to produce required procurement documentation upon request, contrary to both the Utah Procurement Code (UPC) and GRAMA.[56] Our requests centered primarily on procurement documents that are specifically referenced in the UPC, which are required to be retained for a minimum of six years and in accordance with GRAMA.[57]

Figure 2.2 GRAMA Compliance

LEA	Procurement Documentation Requested But Not Produced
A	Winning bid
C	Written justification statement
E	Invitation for bids (IFB)
N	RFP/IFB, proposals/bids received, and written justification statement

Source: LEA correspondence, meeting minutes and recordings, and other procurement documentation.

The cases noted in Figure 2.2, above, reflect only those instances in our sample where it is unclear whether documentation was properly retained—not where we confirmed that the documentation was never created or was incomplete in the first place.[58] For example, LEA C reported that, prior to retirement, a disgruntled former purchasing director had disposed of numerous files that should have been retained. Thus, although LEA C delivered the bulk of the requested procurement documentation, the required written justification statement was never delivered for our review. Efforts to find the written justification statement were unsuccessful, and officials at LEA C expressed a belief that the statement, along with other documentation, was disposed of. And despite claims that the "appropriate procurement process was indeed followed," missing documentation complicated our efforts to substantiate these claims.

One LEA Violated Several Statutory Provisions Governing Closed Meetings

After our office requested a review of a closed meeting's recording (and associated minutes, if any) in an effort to assess compliance with applicable related-party employment statutes (see Finding 3), LEA D could not find any record of that closed meeting. OPMA requires that public bodies "(a) make a recording of the closed portion of the meeting; and (b) may keep detailed written minutes that disclose the content of the closed portion of the meeting."[59] However, officials at LEA D explained that they were unable to locate the closed meeting recording or minutes even after contacting the board secretary at the time. In fact, the board secretary reportedly assumed that he or she must have erased the recording.

[56] Utah Code §§ 63G-6a-2002(1); 63G-2-301(2)(e), (j).
[57] Utah Code § 63G-6a-2002(1), (3).
[58] Finding 1 details incomplete documentation in addition to procurement documentation and processes never undertaken at all.
[59] Utah Code § 52-4-206(1). If minutes are kept, the minutes must include "the names of members present and absent," among other things. Utah Code § 52-4-206(3).

The inability to review any record of this closed meeting is particularly troubling in this case because the LEA had hired a close relative of a current board member as the LEA director. This closed meeting immediately followed an open meeting during which the current board member publicly announced—as documented in both the meeting recording and the minutes—this board member's attendance. Furthermore, the open meeting record appears to indicate an intent to continue discussion—*after* the conclusion of the open meeting—of the hiring process for the director position that the close relative of the current board member later filled.

The LEA also held this closed meeting contrary to OPMA. More specifically, the LEA board failed to ensure that the following statutorily required information was "publicly announced and entered on the minutes of the open meeting at which the closed meeting was approved:

(a) the reason or reasons for holding the closed meeting;
(b) the location where the closed meeting will be held; and
(c) the vote by name, of each member of the public body, either for or against the motion to hold the closed meeting."[60]

Thus, as summarized in Figure 2.2, below, neither the minutes nor the recording reflect any acknowledgement of the specific purpose for which the meeting was closed. And although it is likely that the closed meeting continued in the same location as the preceding open meeting, no mention of that fact is made in the minutes or recording. Finally, neither the minutes nor the recording detail the votes, by name, of each board member voting in favor of closing the meeting. In fact, the minutes do not even make mention of a vote to close the meeting at all.

Figure 2.2 Closed Meeting Noncompliance: LEA D

Public/Open Meeting Record	Utah Code § 52-4-204(4) "The following information shall be publicly announced and entered on the minutes of the open meeting at which the closed meeting was approved:		
	(a) the reason or reasons for holding the closed meeting;	(b) the location where the closed meeting will be held; and	(c) the vote, by name, of each member of the public body, either for or against the motion to hold the closed meeting."
Minutes	No mention	No mention	No mention of a vote
Recording	No mention	No mention	Vote recorded, but without names

Source: LEA meeting minutes and recording.

In conclusion, since closed meetings may be held only for certain, specifically defined purposes,[61] and LEA D failed to create and/or provide a closed meeting recording, we had no means by which to assess whether the related board member was actually "absent" from a meeting in which it appears the employment of this board member's relative may have been "considered and determined."[62]

[60] Utah Code § 52-4-204(4).
[61] Utah Code § 52-4-205(1).
[62] *See*, Utah Code § 53A-1a-518(2)(b)(iv). See Finding 3 for more of a discussion regarding statutes governing the employment of relatives in an LEA.

Charters May Be Terminated For GRAMA And OPMA Noncompliance

As discussed in Finding 1, the USCSB "may review or terminate the charter based upon factors that may include:

(1) failure to meet measures of charter quality which includes adherence to a charter agreement required and monitored by chartering entities; or
(2) charter school deficiencies; or
(3) failure of the charter school to comply with federal or state law or regulation, Board rules, or Board directives."[63]

Since all charter schools included within our audit sample operate under signed charter agreements that require compliance with OPMA and GRAMA, charter schools identified as having violated GRAMA or OPMA risk charter termination.

In addition to the risk of charter termination, LEA noncompliance with GRAMA and OPMA provisions will likely undermine USBE and USCSB oversight and monitoring efforts required under the Utah Constitution, state law, administrative rule, and board bylaws. Consequently, we recommend that the USBE and the USCSB work to enhance LEA understanding of and compliance with applicable open meeting and record retention statutes.

Closed Meeting And Record Retention Violations May Result In Criminal Liability For LEA Board Members And Staff

In addition to civil remedies for OPMA violations,[64] knowingly or intentionally violating OPMA's closed meeting provisions may result in a class B misdemeanor criminal penalty.[65] In addition, the *Public Records Management Act* (PRMA) classifies the intentional mutilation, destruction, damage, or disposal of the record copy of a record as a class B misdemeanor.[66] Finally, GRAMA allows for a governmental entity to "take disciplinary action against any employee of the governmental entity who intentionally violates any provision" of GRAMA or PRMA record preservation provisions.[67] Consequently, we recommend that LEA board members and other officials comply with applicable open meeting and record retention statutes to avoid both civil and criminal liability.

[63] Utah Admin. Code R277-481-4(A).
[64] Utah Code §§ 52-4-302(1)(a), 304.
[65] Utah Code § 52-4-305.
[66] Utah Code § 63A-12-105(3).
[67] Utah Code § 63G-2-804.

Recommendations

1. We recommend that the Utah State Board of Education—and the Utah State Charter School Board—work to enhance LEA understanding of and compliance with applicable open meeting and record retention laws and rules.

2. We recommend that local education agency board members and other officials comply with applicable open meeting and record retention statutes, rules, and policies.

Finding 3 Two Charter Schools Employed Relatives Contrary To Contractual Obligations

Two charter schools within our sample[68] employed individuals related to charter school officers[69] contrary to state law and charter contract. These charter schools produced neither the required written disclosures to the charter school board nor any evidence of a board majority vote with abstentions by the related charter school officer from both the vote and any associated meetings. In response to these specific compliance issues, each charter school noted a lack of awareness or familiarity with the state laws in question and worked to update policy and practice accordingly. However, given the risk of charter termination, we recommend that the Utah State Charter School Board (USCSB) take steps to better train charter schools of statutory requirements for related party employment. We also recommend that charter schools comply with provisions of *The Utah Charter Schools Act* (UCSA) that place conditions upon related-party employment.

Two Charter Schools Employed Related Parties Contrary To Statute

Two charter schools employed and paid a total of over $200,000 during state fiscal year (FY) 2016 to 10 individuals related to charter school officers contrary to applicable state statute and charter school policies (see Figure 3.1, below). The UCSA forbids the employment of a relative of a charter school officer at a charter school unless the charter school officer:

(i) discloses the relationship, "*in writing*, to the other charter school officers";
(ii) submits the employment decision "to the charter school's governing board for approval, by majority vote, of the charter school's governing board";
(iii) "abstain[s] from voting on the issue"; and
(iv) is "absent from any meeting when the employment is being considered and determined."[70]

[68] See Appendix A for more detail regarding sample methodology.
[69] The *Utah State Charter Schools Act* defines "charter school officers" as "(i) a member of charter school's governing board; (ii) a member of a board or an officer of a nonprofit corporation under which a charter school is organized and managed; or (iii) the chief administrative officer of a charter school." Utah Code § 53A-1a-518(1)(a).
[70] Utah Code § 53A-1a-518(2), (3) (emphasis added).

Figure 3.1 Improper Related-party Employment

Charter School	Total Number of Related Parties Employed in FY 2016[71]	Total FY 2016 Payments[72]	Written Disclosure(s)?	LEA Board Majority Vote?	Related Party Abstention from Vote?	Related Party Absent from Meeting?
B	5	$53,487	0 of 5	0 of 5	No votes held	No meetings held
J	5	$147,767	0 of 5	0 of 5	No votes held	No meetings held

Source: LEA documentation and IRS Forms 990.

During the course of seeking documentation to determine charter school compliance with the UCSA for the employment of related parties, officials at both charter schools B and J expressed a lack of familiarity and awareness with the applicable 2007 legislation.[73] In addition, charter school B cited a desperate need for temporary employees as the reason for most of the hires. However, each charter school has since indicated efforts to comply with applicable related-party restrictions in state statute.

Charters May Be Terminated For Related-party Employment Noncompliance

As discussed in Findings 1 and 2, the USCSB "may review or terminate the charter based upon factors that may include:

(1) failure to meet measures of charter quality which includes adherence to a charter agreement required and monitored by chartering entities; or
(2) charter school deficiencies; or
(3) failure of the charter school to comply with federal or state law or regulation, Board rules, or Board directives."[74]

Since all charter schools included within our audit sample operate under signed charter agreements that require compliance with all applicable state and federal laws, charter schools identified as having violated related-party employment restrictions risk charter termination. Thus, we recommend that charter schools comply with provisions of the UCSA that place conditions upon related-party employment. In addition, we recommend that the USCSB take steps to ensure that charter school officers are properly trained on the statutory requirements governing the employment of related parties.

[71] This amount reflects the minimum number of employees for which we could confirm and document a conflict at the time of hire. For other employees, records were unclear, conflicting, or a conflict at the time could not be substantiated (see Finding 2).
[72] These totals represent figures reported to the Internal Revenue Service on a Form 990 for FY 2016.
[73] During the 2007 General Session, the Utah Legislature enacted H.B. 164, which added section 518 to Chapter 1a of Title 53A (State System of Public Education) and had an effective date of July 1, 2007.
[74] Utah Admin. Code R277-481-4(A).

Recommendations

1. We recommend that charter school board members and other officials comply with applicable statutes, rules, and policies governing the employment of relatives.

2. We recommend that the Utah State Charter School Board take steps to ensure that charter school officers are properly trained on the statutory requirements governing the employment of related parties.

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Appendix A Audit Scope, Objectives, Methodology, And Limitations

A Performance Audit Of Local Education Agency Procurement Compliance was conducted to assess local education agency (LEA) compliance with applicable state and LEA procurement requirements. The audit scope included a review of procurement materials related to payments made during state fiscal year (FY) 2016 (July 1, 2015 through June 30, 2016) pertaining to a judgmental sample of LEAs selected from among 147 LEAs in operation during FY 2016. Survey work for this audit—which occurred from March 2017 through July 2017—included a review of the following materials:

- Applicable state statutes and administrative rules
- Applicable Utah State Board of Education (USBE), Utah State Charter School Board (USCSB), and LEA policies and procedures
- Charter school IRS Forms 990/990-EZ
- Charter school annual financial reports (AFR) filed with the Office of the State Auditor
- Charter school applications, agreements, and associated materials
- State transparency data posted on the Utah Public Finance Website (UPFW) for transactions executed during FY 2016
- Department of Commerce Division of Corporations and Commercial Code data and documents for businesses registered in Utah
- LEA board meeting public notices, agendas, minutes, and recordings
- Data, forms, and other pertinent documentation posted on the Utah Financial Disclosures, USBE, USCSB, and LEA public websites
- Information listed on publicly-available LEA vendor websites
- Audits conducted by the USBE internal audit department, Office of the Legislative Auditor General, Office of the State Auditor, and other states

Following survey work, we selected a judgmental sample of LEAs to investigate further. In addition to our review of applicable survey work documentation, our judgmental sample selection methodology included an assessment of the following factors:

- Expressly disclosed conflicts of interest and/or related-party transactions disclosed in IRS Forms 990 or AFR
- Apparent conflicts of interest and/or related-party transactions drawn from cross-checking state transparency data and AFR/990 transaction information against publicly-available LEA management/board of directors information
- Potential procurement issues identified in prior audit reports or by hotline/stakeholder referrals
- Contracts/transactions with charter management organizations (CMO)

Our final judgmental sample included the following 14 LEAs:

- From among 106 charter schools open during FY 2016 (and that also remained open at the close of the year), we selected:
    - American Leadership Academy
    - Entheos Academy
    - North Davis Preparatory Academy
    - Pioneer High School for the Performing Arts
    - Roots Charter High School
    - Thomas Edison Charter School
    - Vanguard Academy
    - Venture Academy
    - Walden School of Liberal Arts
- From among 41 school districts in operation during FY 2016, we selected:
    - Alpine
    - Davis
    - Murray
    - Weber
    - Washington

Following the selection of our judgmental audit sample, we commenced audit field work. From July 2017 through December 2017, our audit field work included but was not limited to a review of the following:

- Charter school application materials and charters
- LEA board meeting minutes and recordings
- Written disclosures required under Utah Code § 53A-1a-518 for (1) relatives of charter school officers considered for employment in a charter school and (2) contracts or transactions in which a charter school officer or relative of a charter school officer has a financial interest[75]
- Various procurement documentation and vendor contracts
- Responses, memos, and explanations from various LEA management officials

Data Limitations

LEA state transparency data in some cases did not include vendor names, which is reportedly in response to Performance Audit No. 15-03, *A Performance Audit of Financial Reporting in Public Education*.[76] In such cases where we observed transaction amounts within our sample that might implicate procurement thresholds, we specifically requested additional vendor identification detail from the sampled LEAs.

[75] Utah Code § 53A-1a-518(2), (3).

[76] This audit addressed the public disclosure of personally identifiable student information in transactions posted on the Utah Public Finance Website and the State Board of Education's response to this finding.

Agency Responses

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UTAH STATE CHARTER SCHOOL BOARD

Kristin Elinkowski, Chair
DeLaina Tonks, Vice Chair

Dean Brockbank
Bruce Davis
Jim Moss
Cynthia Phillips
Michelle Smith

Jennifer Lambert,
Executive Director

250 East 500 South
P.O. Box 144200
Salt Lake City, UT 84114-4200

Phone: 801.538.7720

February 1, 2018

Office of the Utah State Auditor
East Office Building, Suite E310
PO Box 142310
Salt Lake City, Utah 84114

Re: Performance Audit No. 18-01

The State Charter School Board recognizes the need for more training of its authorized schools on the laws and rules of procurement, record retention, open meetings, and the statutory requirements governing the employment of related parties. We have begun providing such training through contracted services, monthly meetings to charter directors, monthly newsletters, and spot-checks on open meeting compliance. Using the information provided in this audit, we will continue our trainings and specifically target the identified issues.

Sincerely,

Kristin Elinkowski
Chair
State Charter School Board
kelinkowski@msn.com

cc: State Charter School Board

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UTAH STATE BOARD OF EDUCATION

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Sydnee Dickson, State Superintendent of Public Instruction
Lorraine Austin, Board Secretary

February 28, 2018

Mr. Dan Holladay, JD
Office of the Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 143210
Salt Lake City, UT 84114-2310

Dear Mr. Holladay:

The Utah State Board of Education (USBE) received your request for a response to the findings and recommendations in Performance Audit No. 18-01: A Performance Audit of Local Education Agency Compliance with Procurement Requirements. We sincerely appreciate the opportunity to respond.

Finding 1 Several LEAs Violated State Procurement Statutes, Rules and Policies
Management Response: The USBE concurs with this finding.

Corrective Action(s):

1) We will communicate with and inform local education board members and officials about the importance of compliance to applicable procurement laws, rules, and policies.
2) The USBE will decisively engage with the Division of Purchasing to develop meaningful and sound processes to identify procurement practices that improve student achievement and eliminate practices that add regulatory burdens that impair student achievement.
3) The USBE will coordinate with the State Charter School Board (SCSB) and the Division of Purchasing to deliver the best sources of information to LEAs to increase their understanding of procurement statutes, policies, and procedures, for them to meet their respective compliance requirements.

Finding 2 Multiple LEAs Failed to Comply with Record Retention and Open Meeting Statuses
Management Response: USBE concurs with this finding.

Corrective Action(s):

1) We will provide information to LEAs to further increase their understanding of and compliance with open meeting and record retention laws and rules.

2) The USBE will further the recommendation of the Office of the State Auditor by providing individual LEA board members and other officials of LEAs with best practices for open meeting conduct and retention statutes, rules and policy compliance.

Finding 3 Two Charter Schools employed Relatives Contrary to Contractual Obligations
Management Response: USBE concurs with this finding.

Corrective Action(s):

1) The USBE, in cooperation with Charter Authorizers, will provide continuing emphasis and information on the importance of compliance to the related-party employment prohibition. Adherence to the charter agreements is critical.
2) The USBE will engage with all authorizers to ensure they are adequately training on, and ensuring compliance with, the requirements governing the employment of related parties.

Sincerely,

Scott Jones
Deputy Superintendent of Operations

cc: Mark Huntsman, Utah State Board of Education, Board Chair
Sydnee Dickson, State Superintendent of Public Instruction
Natalie Grange, Assistant Superintendent of Financial Operations
Debbie Davis, Director of Internal Audit