

Single Audit Report
California Association for Bilingual Education
Year ended June 30, 2014
with Report of Independent Auditors

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**Report of Independent Auditors on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

**Board of Directors
California Association for Bilingual Education**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of California Association for Bilingual Education (the Organization), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated DATE OPEN.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Los Angeles, California

DATE OPEN



**Report of Independent Auditors on Compliance for Each Major Federal Program,
on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

**Board of Directors
California Association for Bilingual Education**

Report on Compliance for Each Major Federal Program

We have audited California Association for Bilingual Education's (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2014. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

Unmodified Opinion

In our opinion, the Organization complied, with all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the program for the year ended June 30, 2014.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133. As described in item F2014-01 in the accompanying schedule of findings and questioned costs, the Organization did not comply with the requirement.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of requirements of laws, regulations, contracts and grants applicable to the federal program. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness in internal control over compliance*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Organization as of and for the year ended June 30, 2014, and have issued our report thereon dated DATE OPEN, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Los Angeles, California
DATE OPEN

California Association for Bilingual Education
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Award#</u>	<u>2014 Expenditures</u>
<u>U.S. Department of Education</u>			
<u>MAJOR PROGRAM:</u>			
Project 2INSPIRE Family, School, and Community Engagement	84.411C	U411C120057	<u>\$ 566,943</u>
Total U.S. Department of Education			<u>\$ 566,943</u>

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
• Material weakness identified:	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted:	No

Federal Awards

Internal control over its major programs:	
• Material weaknesses identified:	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes, see Findings 14-01

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.411C	U.S. Department of Education Investing in Innovation (i3) Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee:	No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings

Federal Catalog Number: 84.411C
Federal Program Name: Investing in Innovation (i3) Fund
Federal Agency: Department of Education

Finding F2014-01: Cash Management

Criteria

Title 34, Education, Part 74 – Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations – Subpart C – Post-Award Requirements – Section 74.22 – Payment states the following:

- (a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMAA agreements or default procedures codified at 31 CFR part 205.
- (b) (1) Recipients are paid in advance, provided they maintain or demonstrate the willingness to maintain—
 - (i) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient; and
 - (ii) Financial management systems that meet the standards for fund control and accountability as established in §74.21.
- (2) Cash advances to a recipient organization are limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.
 - (1) The timing and amount of cash advances are as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.
- (c) Whenever possible, advances are consolidated to cover anticipated cash needs for all awards made by the Secretary.
 - (1) Advance payment mechanisms include, but are not limited to, Treasury check, and electronic funds transfer.
 - (2) Advance payment mechanisms are subject to 31 CFR part 205.
 - (3) Recipients are authorized to submit requests for advances and reimbursements at least monthly when electronic fund transfers are not used.
- (d) Requests for Treasury check advance payment shall be submitted on SF-270—Request for Advance or Reimbursement—or other forms as may be authorized by OMB. This form is not to be

used when Treasury check advance payments are made to the recipient automatically through the use of a predetermined payment schedule or if precluded by ED instructions for electronic funds transfer.

(e) Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. The Secretary may also use this method on any construction agreement, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal assistance constitutes a minor portion of the project.

(1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper.

(2) Recipients are authorized to submit request for reimbursement at least monthly when electronic funds transfers are not used.

Identified Condition

For 2 out of 4 drawdowns tested, we noted the program funds were requested through advance payment and were in excess of the immediate needs of the program. No earnings were generated on the advance payment of program funds.

Questioned Cost

None.

Possible Cause and Effect

Adequate procedures were not in place to ensure that program expenses were incurred prior to requesting draw down of federal funds.

Recommendation

We recommend that the Organization ensures that its amended procedures beginning January 1, 2014 is followed by program staff to ensure compliance with federal requirements.

Management Response

Management had already set up policies and procedures which began on January 1, 2014, for drawing down federal funds after the expenses have been incurred that include the proper process and approvals. Management will continue to ensure that a draw down request must include an attached expense report for approval prior to the draw down.

Financial Statement Findings

No matters were reported.

Federal Award Findings

Not applicable.

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801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777