



State Charter School Board Action Summary

Charter School: **Vanguard Academy**

Action: **To consider possible actions from the procurement audit performed by staff**

Purpose: The SCSB received multiple complaints and media inquiries from the public regarding Vanguard Academy's procurement processes. As a result, the SCSB conducted an audit of their procurement practices. The purpose of the audit was to determine if Vanguard Academy followed procurement laws and Board Rules as interpreted by the SCSB.

Scope: This audit focused only on SY2020 which is from July 2019 to June 2020. For this audit, SCSB staff selected twenty (20) transactions to test. The twenty vendors tested represented about 80% of Vanguard Academy's expenditures excluding salaries and benefits.

Listed below are the findings and SCSB staff recommendations from the procurement audit.

Definitions for Table:

Resolved - Staff initially considered this to be a finding but after discussing it with Vanguard Academy, it was determined that their response was reasonable and adequate to consider it closed.

Not Resolved - Staff discussed this finding with Vanguard Academy and determined that their response was not reasonable or adequate to close it. Staff still considers this finding to be open.

For more detail or background on any of the findings shown below, please refer to the full report.



	Finding Description	Status	Possible Resolution
1	The owners of seven out of the twenty vendors tested (O'Brien Property Maintenance LLC, Ensign Learning Center, Standard Restaurant Equipment, TechRight, AAA Security, ZMPC9, and Premier Catering & Food Services) appear to have had prior personal relationships with Vanguard Academy because these business owners all share the same last name. Therefore, SCSB staff asserts that a reasonable person would perceive that there was some form of favoritism or bias that influenced Vanguard Academy's objectivity in the selection of these vendors. In addition, four of these seven vendors (O'Brien Property Maintenance LLC, Ensign Learning Center, Inc., Standard Restaurant Equipment, and ZMPC9) and a Board Member share the same registered agent and address. It appears very unlikely that all these vendors could be associated with the same registered agent and address without some sort of prior relationship.	Not Resolved	Vanguard Academy ask these vendors to reveal their owners (which is allowed as per 53G-5-404(12)) and redo the procurement process where other prospective vendors can compete. Vanguard Academy must ensure that the team that evaluates these vendors have no personal relationship, favoritism, or bias. Documentation for the bid evaluation should be kept.
2	The amount spent with Vanguard Academy's food vendor (Premier Catering & Food Services) appeared to be excessive. In SY2020, Vanguard Academy's food program expenditures were about 17% of their total revenue.	Resolved	n/a
3	The food vendor (Premier Catering & Food Services) contract is for lunch meals but Vanguard Academy is also paying for breakfast meals. In addition, Vanguard Academy is paying the food vendor for employee meals.	Not Resolved	Vanguard Academy conduct an RFP for breakfast meals and work with CNP with the process Vanguard Academy stop paying for their employee meals and their employees should reimburse the lunch program for the meals that were paid.



	Finding Description	Status	Possible Resolution
4	Four requested vendor contracts (O'Brien Property Maintenance LLC, U.S.S.A., AAA Security, and ZMPC9) were not provided.	Not Resolved	SCSB staff does not expect Vanguard Academy to enter a contract if the service is for something immaterial; however, if Vanguard Academy is getting continual service from a vendor or if the service amount is material, then Vanguard Academy should enter into a contractual agreement to protect both parties and to ensure that the expectations are outlined and met.
5	Vanguard Academy did not obtain the required number of competitive bids or quotes for two of the transactions tested (AAA Security and Amazon.com).	Not Resolved	Vanguard Academy put procedures in place to ensure that the required number of bids or quotes are always obtained as per Board Rule. Vanguard Academy renegotiate these services and obtain the required number of bids or quotes to ensure that other vendors can compete for Vanguard Academy's business.
6	SCSB staff noted that the gym facility Vanguard Academy uses (ZMPC9) states on their website that, "you must be a member of the LDCC in order to use the gym facility." SCSB staff does not know what LDCC stands for; however, this was concerning to SCSB staff because it appears to exclude students that are not members of LDCC.	Not Resolved	Vanguard Academy enter into a contractual agreement with the facility that outlines that all students, even those that are not members of LDCC, can use the gym facility. If possible, they should ask the vendor to state on their website that if the gym is rented by Vanguard Academy, then they will not require participants to be LDCC members.



	Finding Description	Status	Possible Resolution
7	One vendor (ZMPC9) bills their invoices as donations and these payments are not reported as donations in Vanguard Academy's audited financial statements.	Not Resolved	Vanguard Academy carefully review each invoice to ensure that they are not being invoiced as donations. Vanguard Academy should have the vendor write a letter acknowledging that past payments were actual payments for services received and were not donations.
8	Two facility lease amendments with Vanguard Academy's landlord (Ensign Learning Center, Inc.) were not submitted to the SCSB for review and advice as per Utah Code 53G-5-404(9).	Not Resolved	All future lease agreements or amendments be sent to the SCSB for review and advice prior to entering into the agreement.
9	The facility lease agreement (Ensign Learning Center, Inc.) was signed by Vanguard Academy's Director instead of the Board Chair.	Not Resolved	Vanguard Academy amend their facility lease agreement so that it can be signed by their Board Chair.
10	For one of the twenty transactions tested (TechRight), although three bids were received, however, one of the evaluators appears to have a personal relationship (extended family) with the owner of the business. Although this evaluator and the owner of the business are not considered to be family as defined by 63G-6a-2402(3) which states that, "a family member means a father, mother, husband, wife, son, daughter, sister, brother, uncle, aunt, nephew, niece, first cousin, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law.", it appears that this evaluator's independence and/or objectivity may have been influenced due to the perceived prior relationship.	Not Resolved	Vanguard Academy review their procurement procedures and put proper controls in place to prevent evaluators from having perceived personal relationships, favoritism, or bias with the vendor being evaluated.



	Finding Description	Status	Possible Resolution
11	School paid a signing bonus to a new employee (Rachelle White) but could not provide any documentation showing who approved the bonus or that it was approved by their Board.	Not Resolved	Vanguard Academy develop a policy to address the payment of signing bonuses. This policy should demonstrate who can approve a signing bonus and should stipulate a range of amounts that can be paid. Anything paid outside of that range should require additional approvals by Vanguard Academy's Board.
12	Vanguard Academy has approximately twelve related party teachers and/or counselors but did not appear to have a policy that addressed the hiring of relatives.	Resolved	n/a
13	Vanguard Academy's Procurement Policy states that purchases of goods and services over \$5,000 need Finance committee approval. However, six of the twenty transactions tested (O'Brien Property Maintenance LLC, Ensign Learning Center, Inc., Southwest Education, AVID Center, Premier Catering & Food Services, and Amazon.com) were over \$5,000 and there was no documentation showing their Finance Committee approval.	Not Resolved	Vanguard Academy follow their internal Procurement Policy and keep documentation of the approval.

Note: Staff has meticulously reviewed Vanguard Academy's procurement practices and noted these findings. Staff has discussed each of these findings in detail with Vanguard Academy. Although, other findings could have been inferred, staff only focused on the findings that were factual.