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Los Angeles Unified School District

Report to the Office of the Inspector General

Peer Review of the Internal Audit Department's System of Quality Control

RESPECT FOR
THE
INDIVIDUAL



HIGH ETHICAL
STANDARDS



INNOVATION
CREATIVITY
CHANGE



MUTUAL TRUST



UNEQUIVOCAL
EXCELLENCE

Completed by
Vicenti, Lloyd & Stutzman, LLP
December 31, 2007

OPINION LETTER



VICENTI ♦ LLOYD ♦ STUTZMAN ^{LLP}
BUSINESS CONSULTANTS AND CPAs

To the Office of the Inspector General
Mr. Jerry Thornton, Inspector General
Los Angeles Unified School District

We have reviewed the system of quality control for the practice of internal auditing of the Internal Audit Department, Office of the Inspector General (OIG), Los Angeles Unified School District (LAUSD) in effect for the 3 year period from July 1, 2004 to June 30, 2007. A system of quality control encompasses the OIG's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The applicable elements of internal auditing quality control are described in pronouncements of professional organizations including the *Generally Accepted Government Auditing Standards* published by the Comptroller General of the United States, the *Statements on Quality Control Standards* issued by the American Institute of Certified Public Accountants (AICPA), and *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors (IIA). The OIG is responsible for designing a system of quality control from these sources and complying with it to provide the OIG reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the OIG's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the OIG, interviewed OIG personnel and obtained an understanding of the nature of the OIG's internal auditing practice, and the design of the OIG's system of quality control sufficient to assess the risks implicit in its practice. OIG management was provided with a supplemental management report which discussed the detailed results of our review including comments, conclusions, and recommendations. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the OIG's internal auditing practice. In addition, we tested compliance with the OIG's quality control policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the internal auditing practice of the OIG in effect for the period from July 1, 2004 to June 30, 2007, has been designed to meet requirements of the quality control standards for an internal auditing department according to *Generally Accepted Government Auditing Standards*, *Statements on Quality Control Standards*, and *International Standards for the Professional Practice of Internal Auditing* and was complied with during the 3-year period then ended to provide the OIG with reasonable assurance of conforming with professional standards.

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