

**Los Angeles Unified School District  
Office of the Inspector General**

**Performance Audit of  
Procurement Process –  
Information Technology  
Services Contracts**

**OA 24-1452  
June 3, 2025**

**Sue Stengel  
Inspector General**





## Los Angeles Unified School District Office of the Inspector General

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June 3, 2025

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**Sue Stengel**  
*Inspector General*

RE: Performance Audit of Procurement Process – Information Technology Services Contracts

Dear Mr. Friedman and Mr. Katal:

Attached is the final report of the Performance Audit of Procurement Process – Information Technology Services Contracts. Thank you for taking the time to discuss this with us.

The objective of the audit was to determine whether the procurement of Information Technology Services (ITS), Contract numbers 4400009991, 4400005794, and 4400007798, was in accordance with the Procurement Services Division Procurement Manual and the Information Technology Support Services Handbook.

Please contact our office if you have any questions.

Sincerely,

**Mark H. Pearson**

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## **TABLE OF CONTENTS**

Executive Summary .....	1
Introduction .....	2
Results of Audit .....	4
Audit Team .....	19
Attachment A – Verbatim Response to Draft Report from PSD and ITS .....	20
Appendix 1 – Scope, Objectives, Methodology & Internal Controls .....	25
Appendix 2 – Flowchart of Procurement Process .....	26

## **EXECUTIVE SUMMARY**

The Los Angeles Unified School District's (District) Office of the Inspector General (OIG) conducted an audit of the Information Technology Support Services (ITSS) Procurement Process. The objective of the audit was to determine whether the procurement of Information Technology Services (ITS), Contract numbers 4400009991, 4400005794, and 4400007798 was in accordance with the Procurement Services Division (PSD) Procurement Manual<sup>1</sup> and the ITSS Handbook.<sup>2</sup>

The OIG performed this audit to ensure Procurement Services Division (PSD) complied with the District's policies and procedures and state law. Also, the procurement of ITS contracts for supplies, equipment, and general services was identified as an area of risk during the OIG's fiscal year 2024 annual risk assessment process. The OIG examined three different contracts and processes to determine if there were any common issues for the three ITS contracts. Our audit identified six Observations. We determined that four of six Observations applied to all three procurement processes. One Observation applied to two procurement processes, and one Observation applied to one procurement.

The OIG found that the procurement process of ITS contracts 4400009991, 4400005794, and 4400007798 was in accordance with the PSD Procurement Manual and the ITSS Handbook. However, we noted Observations, as listed below.

### **Observations**

- Observation 1: The manufacturer's price list and a written authorization/verification (proof of authorized dealer) from the manufacturers for one bidder (Vector Resources, Inc.) were unavailable.
- Observation 2: PSD did not send a cost analysis request to the OIG (for any of the three procurements), as stated in the PSD Procurement Manual.
- Observation 3: PSD did not obtain the product prices and conduct a cost analysis (for AAA Solutions and Responder Systems) to determine the bidder with the lowest cost for each product.
- Observation 4: The vendor due diligence reviews completed on the three contracts selected for review were inconsistent.
- Observation 5: The weighted average discount rate on the rate schedule submitted by two bidders (AAA Solutions and Responder Systems) on one of the Invitation for Bid (IFB) responses was inaccurately calculated.
- Observation 6: PSD did not verify that the District received the benefit of the highest discount rates given by any of the bidders to any other school district, state, county, municipal, or local government agency for the goods and services listed in the IFBs.

These observations did not impact the contracts awarded by PSD.

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<sup>1</sup> LAUSD Procurement Manual 9<sup>th</sup> Edition, July 2022

<<https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/1. Procurement Manual 9th Edition.pdf>>.

<sup>2</sup> LAUSD Information Technology Support Services Handbook 2019-2020

<<https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/2. ITSS Handbook 2019 2020.pdf>>.



## **Recommendations**

1. PSD should ensure that each vendor's bid submission includes a link to or a copy of the manufacturer's published price list and a written authorization/verification that the vendor is an authorized dealer.
2. PSD should (i) determine whether a cost analysis is applicable to the procurement of goods and services, (ii) determine the department that should complete it and engage that department to assess the feasibility and develop applicable criteria, and (iii) update the procurement manual accordingly.
3. PSD should complete a cost analysis that includes product prices, in addition to discount rates when bids received include similar products from different/multiple manufacturers, to determine which bidder(s) offers the lowest cost to the District before awarding a contract or issuing a purchase order.
4. PSD should create a policy for due diligence reviews, which includes the methodology and checklist for different levels of due diligence reviews based on appropriate criteria, such as the type of procurement method.
5. PSD should ensure that the Microsoft Excel format provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders.
6. PSD should identify and formalize a process for verifying that the District receives the benefit of the lowest price or highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency.

## **INTRODUCTION**

The PSD's "Procurement Services and Contract Administration Branch manages the procurement of various supplies, equipment, professional services, and general services through competitive, fair, and ethical bidding methods. Efforts are centered on leveraging the District's aggregate buying power to reduce acquisition costs, maintain quality, and ensure timeliness of delivery or service."<sup>3</sup>

ITSS's Information Technology Contract Unit coordinates all acquisitions of technology-related goods, general services, and professional services for ITS and works closely with the PSD during the procurement process.

ITSS uploads all required PSD documents<sup>4</sup> into the District's System, Applications, and Products in the Data Processing (SAP) application. SAP is the District's enterprise-wide business application system utilized for the management of various business processes that include payroll, accounting, human resources, and the procurement of goods and services. Once required documents are submitted by ITSS to the PSD, an Invitation for Bid (IFB) solicitation is initiated.

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<sup>3</sup> LAUSD Procurement Services Division website

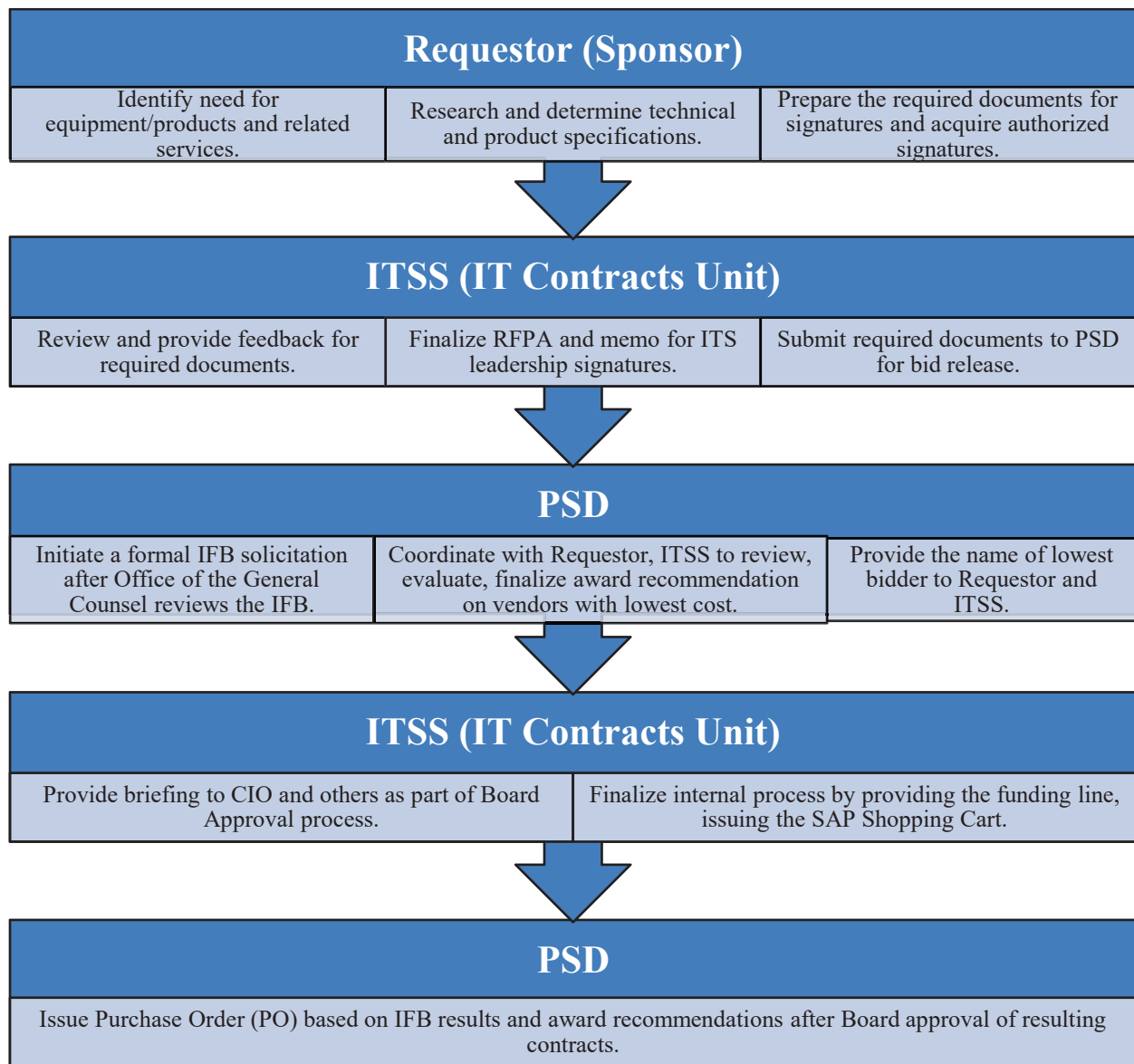
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/3 New Procurement Contract and Administration PCAB Home.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/3%20New%20Procurement%20Contract%20and%20Administration%20PCAB%20Home.pdf)>

<sup>4</sup> PSD procures a request upon receiving all required documents, such as RFPA, Board Informative, Transmittal form with product descriptions and technical specifications, IFB, etc.

The IFB provides detailed specifications, deadlines, and the basis of the contract award. During the solicitation, the District asks for bids from potential vendors or service providers. After potential vendors submit a response to the IFB, PSD coordinates with the requesting office to review, evaluate, and provide a recommendation on the vendors to be selected.

The following diagram describes the procurement process for IT related supplies, equipment, and general services above \$250,000. A more detailed flowchart of the procurement process is available in Appendix 2.

***Procurement Process of IT Supplies, Equipment, and General Services above \$250,000***



## RESULTS OF AUDIT

We obtained and reviewed all procurement documents for three ITS contracts to determine whether the procurement was in accordance with the PSD's Procurement Manual and the ITSS Handbook. The following figure summarizes the three ITS contracts we reviewed for this audit.



**The procurement of the ITS Contracts complied with the PSD Procurement Manual and the ITSS Handbook for IT contracts.**

### Criteria

The Procurement Manual and ITSS Handbook require the following:

#### ITSS

- Submit a completed Request for Procurement Action (RFPA).
- Submit a completed shopping cart through the SAP application, listing the goods and services to be procured and the estimated quantity or amount (estimated budget).
- Describe the product specifications to be procured and the qualifications of the bidders.
- Obtain approval from the Board of Education (Board) to procure the goods and/or services.
- Sign procurement documents. Documents must be signed by authorized individuals such as a supervisor, manager, director, and senior-level director.
- Obtain final approval signature from the ITSS department head and the CIO.

#### PSD

- Advertise the IFB or procurement of goods and services to receive an adequate number of qualified bidders.
- Perform a cost or price analysis in connection with the procurement of the goods and services.
- Complete due diligence on vendors that submitted bids to identify potential risks.
- Review procurement documents (e.g., the signed IFB responses, vendor qualifications and proof of authorized dealer from the manufacturers, product specification, references, and bids or rate schedules) submitted by the bidders and select a vendor or, in some instances, multiple vendors according to the basis of contract award stated in the IFBs.
- Obtain confirmation that the Office of the General Counsel (OGC) reviewed the IFB responses prior to awarding a contract.
- Send a Notice of Intent to Award (NOIA) a contract to the selected bidder(s).
- Receive final approval from the Board before sending the acceptance letter to the selected bidder(s).<sup>5</sup>

The PSD procurement manual restricts the contract to a maximum of five (5) years.

### Condition

To determine whether the procurement of the ITS contracts was in accordance with the PSD's Procurement Manual and the ITSS Handbook, we obtained and reviewed all procurement documents for three ITS contracts. The procurement documents included the IFB responses, shopping cart, RFPA's, product specifications, vendor qualifications and proof of authorized dealer from the manufacturers, references, bids or rate schedules, Board Informative, cost or price analyses, vendor due diligence completed by PSD, OGC's review of the IFB responses, NOIA's, and the acceptance letters. Table 1 below summarizes the three ITS contracts reviewed in this audit.

**Table 1: Contract Information**

<b>IFB Number</b>	<b>2000002197</b>	<b>2000001173</b>	<b>2000001802</b>
<b>Contract Number</b>	<b>4400009991</b>	<b>4400005794</b>	<b>4400007798</b>
<b>Vendor Name</b>	Vector Resources, Inc.	AAA Network Solutions	Mainline Information Systems
<b>Contract Description</b>	IT Equipment & Related Services	Converged IP Public Address (PA) Equipment & Related Services	Data Center Equipment & Related Services
<b>Contract Value (\$)</b>	8,000,000	15,500,000	12,151,000
<b>Contract Terms</b>	3 years with 2 additional optional years 01/26/2022 – 01/27/2027	5 years 08/23/2017 – 08/22/2022	3 years with 2 additional optional years 10/01/2019 – 09/30/2024

<sup>5</sup> These contracts go to the Board of Education twice. Once for approval of the project, and then for final approval after the vendor has been selected.

Through our review of the procurement documents, the OIG determined that the procurement of all three contracts complied with the PSD Procurement Manual and the ITSS Handbook.

Specifically, we found that:

ITSS

- Submitted a complete RFPA for each IFB.
- Submitted a complete shopping cart through the SAP application, listing the goods and services to be procured and the estimated quantity or amount (estimated budget).
- Provided a description of the product specifications and the qualifications of bidders.
- Sought Board approval.
- Obtained required signatures on documents, including the final approval from the ITSS department head and the CIO.

PSD

- Advertised the three IFBs corresponding to the three ITS contracts for two weeks and received multiple bids. Table 2 summarizes the number of bids received.

**Table 2: Number of Bids**

IFB Number	2000002197	2000001173	2000001802
Number of Bids	16	4	9

- Received completed and signed IFB responses from the selected bidders. See *Observation 1* below for additional information related to manufacturer price lists.
- Performed a price or cost analysis on all bidders based on discount rates submitted by the vendors. See *Observation 2* and *Observation 3* below for additional information related to cost or price analysis.
- Completed due diligence on all selected bidders. See *Observation 4* for additional information related to due diligence.
- Ensured bidders provided references and rate schedules. See *Observation 5* below for additional information related to the rate schedules.
- Selected bidders who met the required qualifications and in accordance with the basis of the contract award stated in the IFB responses. For IFBs 2000002197 (awarded to Vector) and 2000001802 (awarded to Mainline), a contract was awarded to the bidder with the highest total weighted average discount rate by product or category. For the remaining IFB 2000001173, a contract was awarded to two (awarded to AAA Network Solutions and Responder Systems) of four bidders PSD deemed responsive and responsible, as described in the IFB, for the same product or category. See *Observation 5* below for additional information on the contract awarded to the two bidders.
- Obtained confirmation that OGC reviewed the IFB responses.
- Sent a NOIA to the selected bidder(s).
- Obtained approval from the Board before sending an acceptance letter to the selected bidder(s).
- Sent an acceptance letter to the selected bidder(s).



We also determined that all three ITS contract terms did not exceed five years, complying with the maximum five-year term limit set forth in the PSD Procurement Manual.

## **Observations**

The following observations were noted during the review of the IFB responses, the submitted rate schedules, and procurement documents:

**Observation 1: The manufacturer's price list and a written authorization/verification (proof of authorized dealer) from the manufacturers for one bidder were unavailable.**

### Criteria

All three IFBs we reviewed required bidders to “submit a current copy of the manufacturer’s published education price list as part of their bid” and “provide written authorization/verification” as evidence that they are an authorized dealer.<sup>6</sup>

### Condition

We obtained the signed IFB responses and documentation for the three contracts we selected for review to determine whether the bidders submitted a copy of the manufacturer’s published price list and a written authorization/verification as proof of authorized dealer. Our review found that the bid submission from AAA Network Solutions and Mainline Information Systems included a copy of, or instructions with a link to, the manufacturer’s published price list and a written authorization/verification as proof of authorized dealer. However, PSD could not provide the manufacturer’s published price list or a written authorization/verification for the contract awarded to Vector Resources, Inc. under IFB 2000002197.

It should be noted that, as stated in the IFBs, the manufacturer’s published price list was not included as a factor in determining the contract award. The manufacturer’s price list is the same for all bidders and the award was based on the highest total weighted average discount rate. Therefore, the lack of the manufacturer’s published price list did not impact the bidder selection and contract award process. The audit team also verified that Vector Resources, Inc., was an authorized dealer.

### Cause

PSD staff acknowledged that this was an oversight during the procurement process.

### Effect

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<sup>6</sup> IFB No.2000002197, Section II.C.12.Authorized Dealer, page 31; IFB No.2000001173, Section II.D.13.Authorized Dealer, page 4; IFB No.2000001802, Section III.C.13.Price Book, page 30  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit\\_files/4.Authorization Verification from the Manufacturers.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/4.Authorization%20Verification%20from%20the%20Manufacturers.pdf)>.

The lack of a manufacturer's published price list could have delayed the approval of quotes and the issuance of purchase orders. In addition, if Vector Resources, Inc. had not been an authorized dealer, this could have resulted in warranty voidance, subpar or delayed service, and increased costs to the District.

### **Recommendation No. 1**

PSD should ensure that each vendor's bid submission includes a link to or a copy of the manufacturer's published price list and a written authorization/verification that the vendor is an authorized dealer.

### **PSD Response & ITS Response**

PSD agreed with the recommendation and indicated that it will ensure that, when required, a manufacturer's price list and/or authorized dealer verification are included in the bid submission.

ITS concurred with PSD's response and will collaborate with PSD to include these requirements when deemed applicable.

The target date of implementation is July 2025.

### **Observation 2: PSD did not send a cost analysis request to the OIG, as stated in the PSD Procurement Manual.**

#### **Criteria**

The PSD Procurement Manual states that "Federally funded procurements require a cost or price analysis in connection with every procurement action including contract modifications. Similarly, non-federally funded contracts, including state-funded contracts, also include cost or price analysis as a best practice. Cost analysis is a rate review or price proposal audit performed by the Office of the Inspector General, at the request of PSD".<sup>7</sup>

#### **Condition**

For the three IFB responses we reviewed, we obtained the signed IFB responses and documentation to determine whether a cost or price analysis request was sent to the OIG. Our review found that a cost analysis request was not sent to the OIG. PSD was unaware of any instances in which it had requested this analysis and, therefore, could not define or describe what this cost analysis would consist of. PSD performed an analysis on all three IFBs solely based on the discount rates submitted by the bidders because, according to the IFBs, the basis of the contract award was the combined total weighted average discount rate.

#### **Cause**

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<sup>7</sup> Procurement Manual 9<sup>th</sup> Edition (July 2022), How to Start the Contracting Process, page 45  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit\\_files/5. Cost Analysis by OIG.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/5. Cost Analysis by OIG.pdf)>.

According to the PSD Purchasing Services Manager, PSD has not requested a cost analysis from the OIG. Although the PSD Procurement Manual states that a request is to be sent to the OIG, the PSD Purchasing Services Manager believes that this requirement applies to construction contracts and not to the procurement of goods and services. The PSD performed a price analysis itself because the discount rates submitted by the bidders were the basis of the contract award.

### Effect

An outdated manual could lead to confusion, inconsistent work performed, or gaps in the procurement process.

### **Recommendation No. 2**

PSD should (i) determine whether a cost analysis is applicable to the procurement of goods and services, (ii) determine the department that should complete it and engage that department to assess the feasibility and develop applicable criteria, and (iii) update the procurement manual accordingly.

### **PSD Response & ITS Response**

PSD stated that the topic of a cost and price analysis, as well as the mention of OIG performing a cost analysis, will be omitted from the procurement manual currently being updated and planned to be issued by July 2025. PSD clarified the decision to perform a cost analysis or price analysis is made on a case-by-case basis, and that it determined that a cost analysis was not necessary for the three procurements audited. It also clarified that the PSD Procurement Manual requires a “cost analysis” or “price analysis.”

ITS concurred with PSD’s response and indicated it will collaborate with PSD regarding any future “price analysis” and/or “cost analysis,” when deemed applicable.

### **OIG Response**

PSD’s plan to simply remove the related language from the manual did not fully address the recommendation and its intent. PSD did clarify that the procurement of goods and services is not the determining factor in selecting a cost analysis or price analysis, and stated that this determination is made on a case-by case basis. However, PSD’s response did not address the recommendation of developing criteria for making this determination, and its plan to omit the topic from the manual demonstrates disagreement with the recommendation of updating the policies and procedures to include the criteria. PSD’s response focused primarily on its assessment about whether a cost analysis was needed for three procurements audited, and did not fully consider the broader intent of the recommendation. The recommendation aimed to strengthen accountability, clarify roles and responsibilities, and provide consistent application of cost or price analysis through the development of clear, documented, accessible criteria that clarifies when, and by whom, the cost analysis should be conducted.

Furthermore, the response to recommendation no. 2 appears to imply disagreement with recommendation no. 3. As such, we have provided a separate response under recommendation no. 3.

**Observation 3: PSD did not obtain the product prices nor conduct a cost analysis to determine the bidder with the lowest cost for each product for one IFB.**

*Criteria*

The PSD Procurement Manual states that “Federally funded procurements require a cost or price analysis in connection with every procurement action including contract modifications. Similarly, non-federally funded contracts, including state-funded contracts, also include cost or price analysis as a best practice.”<sup>8</sup>

The PSD Procurement Manual further states that its mission is to achieve “the most cost-effective prices for goods and services.” PSD’s efforts are centered on “leveraging the District’s aggregate buying power to reduce acquisition costs.”<sup>9</sup>

The IFB stated that the award of the contract shall be to any of the responsive and responsible bidder(s) who submits the “highest percentage rate of discount” either “per manufacturer,” “as a combination of items” or “as a whole,” whichever would be in the best interest of the District. The award of the contract shall be based on the highest “combined total weighted average” percentage per manufacturer “summary rate schedule.” All calculations will be done by the District.<sup>10</sup>

The IFB stated that the Rate Schedule shall be submitted in Microsoft Excel spreadsheet format. Bidder shall provide percentage discounts off of the Manufacturer’s Suggested Retail Pricing (MSRP).<sup>11</sup> Manufacturer’s Suggested Retail Pricing (MSRP) means the base retail price that a manufacturer recommends a product be sold for.<sup>12</sup>

*Condition*

For the three IFB responses we reviewed, we obtained the signed IFB responses, rate schedules, and supporting documentation to determine whether a cost or price analysis was performed. Our review determined that PSD adhered to the IFB in awarding the contract based on the discount percentage. However, PSD did not complete a cost analysis as required in the procurement manual. PSD conducted an analysis on all three IFBs based solely on the discount rates provided by the bidders.

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<sup>8</sup> Procurement Manual 9<sup>th</sup> Edition (July 2022), How to Start the Contracting Process, page 45  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/6. Cost Analysis and Price Analysis as Best Practice.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/6.%20Cost%20Analysis%20and%20Price%20Analysis%20as%20Best%20Practice.pdf)>.

<sup>9</sup> Procurement Manual 9<sup>th</sup> Edition (July 2022), Mission Statement, page 1  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/7. Mission Statement.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/7.%20Mission%20Statement.pdf)>.

<sup>10</sup> IFB No. 2000001173 Section II.A.4 Basis of Award  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IFB%202000001173%20AAA %20Section%20II.C.IV%20Submittals.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IFB%202000001173%20AAA%20Section%20II.C.IV%20Submittals.pdf)>

<sup>11</sup> IFB No. 2000001173 Section IV.A.4 Submittals  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IFB%202000001173%20AAA %20Section%20II.C.MSRP.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IFB%202000001173%20AAA%20Section%20II.C.MSRP.pdf)>

<sup>12</sup> IRS Newsroom Topic B – Frequently Asked Questions  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IRS%20MSRP%20Definition.p df](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IRS%20MSRP%20Definition.pdf)>

For IFBs where the product and brand are the same, the cost may not be relevant, and the percentage discount would be the primary (and potentially, the only) relevant element for purposes of awarding a contract. However, for IFBs for a similar product from different brands, the cost becomes relevant and should be considered along with the percentage discount. For example, in the case of IFB 2000001173 (AAA Network Solutions and Responder Systems), replacement parts for PA systems shall be awarded by the manufacturer based on the Rate Schedule, and it required that PA systems should demonstrate interoperability of design and systems with the three currently used PA systems throughout the District. Bidders were able to submit a bid for systems that may have been manufactured by different companies, and therefore the cost could have a different MSRP. As such, cost should be included in any cost analysis.

An analysis based solely on discount rates when procuring a product manufactured by different companies (same product or category but different manufacturer brand name) does not determine which bidder offered the lowest net cost (product price x percentage of discount rate) to the District. The audit team attempted to calculate the net cost for IFB 2000001173 (PA systems and related parts manufactured by Valcom (AAA Networks Solutions) and Rauland Borg (Responder Systems) but was unable to do so because the manufacturer's price was not available during the audit.

Our review found that PSD awarded contract numbers 4400005794 and 440005788 to AAA Network Solutions and Responder Systems, respectively, for products that met the IFB specifications but were manufactured by different companies or had different brands. AAA Network Solutions and Responder Systems offered a combined total weighted average percentage of discount of 42.44% and 52.80%, respectively.

Table 3 below summarizes the products, the brand name, and the percentage of discount rates offered by AAA Network Solutions and Responder Systems.

**Table 3: AAA Network Solutions and Responder Systems**

Product Description	AAA Network Solutions	Responder Systems
Manufacturer/Brand Name	Valcom	Rauland Borg
I. Category: Centralized Emergency Notification		
A. IP Centralized Emergency Notification Server (for 100 sites; scalable up to 1,000 sites)	9.00%	16.00%
B. Additional license (increment of 100 sites)	2.25%	5.00%
C. Gateways for centralized management of non-Valcom PA systems (e.g. Atlas, Rauland)	22.50%	23.10%
D. Items in manufacturer product catalog related to Centralized Emergency Notification Services	9.00%	20.00%
E. Comprehensive Manufacturer Training Services for Centralized Emergency Notification Services	2.25%	1.33%
<b>Weighted Average of Category I:</b>	<b>45.00%</b>	<b>65.43%</b>
II. Category: School PA System		
A. IP PA Application Server (100 endpoints)	2.05%	5.00%
B. IP PA Application Server (250 endpoints)	2.45%	5.00%
C. Additional IP PA License (increment of 100 endpoints)	1.03%	2.50%



Product Description	AAA Network Solutions	Responder Systems
Manufacturer/Brand Name	Valcom	Rauland Borg
D. Items in manufacturer product catalog related to full IP PA equipment and license (e.g. IP speakers, horns, SIP components)	12.30%	13.86%
E. Items in manufacturer product catalog related to IP retrofit equipment and license (e.g. IP/Analog gateways)	14.35%	16.17%
F. Items in manufacturer product catalog related to IP clocks (e.g. clocks, combined clock/speaker)	2.05%	2.31%
G. Items in manufacturer product catalog related to call buttons	2.45%	2.31%
H. Items in manufacturer product catalog related to Amplification	2.25%	2.31%
I. Other items in manufacturer product catalog related to the overall PA system (e.g. analog, retrofit, full IP)	2.25%	2.01%
J. Comprehensive Manufacturer Training Services for School PA System	1.13%	0.67%
<b>Weighted Average of Category II:</b>	<b>42.31%</b>	<b>52.14%</b>
<b>Total Weighted Average Discount Rate:</b>	<b>42.44%</b>	<b>52.80%</b>

In contrast, products listed on bids under IFBs 200002197 (Vector) and 2000001802 (Mainline) were manufactured by one company or had the same brand name. Therefore, using the discount rate as the primary factor to award the contract was appropriate.

The OIG acknowledges that there are circumstances when the District may consider additional factors for awarding contracts and making purchases. These include District strategic decisions related to system upgrades, modernization, usability, operability, etc. However, in certain circumstances, such as when there are different manufacturers for similar products, cost should be considered and a cost analysis should be performed.<sup>13</sup>

### Cause

PSD did not perform a cost analysis or obtain the cost of products, because it was primarily focused on awarding the contract based on the IFB specifications, which indicated that the award should be based on the discount rate.

### Effect

The risk of awarding a contract to a company that charges a higher cost (considering both cost and discount rate) increases if the District continues to rely solely on the discount rate when assessing bids for similar products from different manufacturers.

### **Recommendation No. 3**

The PSD should complete a cost analysis that includes product prices, in addition to discount rates when bids received include similar products from different/multiple manufacturers, to determine

<sup>13</sup> IFB No.2000001173 Section II.A.4. Basis of Award, page 1  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit\\_files/9\\_Existing\\_PA.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/9_Existing_PA.pdf)>.

which bidder(s) offers the lowest cost to the District before awarding a contract or issuing a purchase order.

### **PSD & ITS Response**

PSD agreed in principle with the recommendation, acknowledging that comparing prices and discount rates from across manufacturers is important when appropriate, but not fully addressing the recommendation that PSD should complete a cost analysis that includes product prices when bids received include similar products from different/multiple manufacturers. Additionally, PSD contended that a cost analysis was not warranted in the procurement under review because the solicitation was intended to purchase products from each of the manufacturers..

ITS concurred with PSD's response. ITS stated that it is important to recognize that certain procurements may require multiple awards to various manufacturers, particularly when factors such as technical compliance, interoperability, or specific product features play a critical role in meeting the District's requirements. In such scenarios, multiple awards to various manufacturers are necessary to ensure that the District can balance cost-effectiveness and technical suitability.

### **OIG Response**

While we acknowledge PSD's agreement with the principle that comparing rates and prices is important in evaluating the cost to the District when applicable, we respectfully disagree with the conclusion that a cost analysis was not warranted in the procurements of PA systems under IFB 2000001173.

Although price analysis and cost analysis compare unit prices or total costs to the District, a price analysis compares prices offered by bidders for a specific product of the same brand, whereas a cost analysis compares prices offered by bidders for a specific product of *different* brands or manufactured by different companies. In the case of the procurement of PA systems, the bidders had different brands (AAA Network Solutions and Responder Systems).

A price analysis would be appropriate if the District intended to purchase different brand products for the maintenance or replacement of parts for existing PA systems manufactured by three different companies.

Although PSD indicated that the solicitation was intended to purchase products from each of the manufacturers requested, the exclusive purchasing history with one vendor suggests the practical outcome of the solicitation does not fully align with the stated intent. If, on the other hand, the intent was to purchase products primarily from one contractor and one manufacturer for the replacement of PA systems, except for maintenance/replacement of parts, then ITS/PSD should have considered issuing two procurements, with one of them being a single-source procurement, which would have provided the transparency and approvals necessary for sufficient review and applicable scrutiny.

The OIG encourages Management to consider these implications in future procurements to avoid the appearance of favoritism and ensure full transparency.

#### **Recommendation No. 4**

PSD should update the Procurement Manual to specify the circumstances under which a cost analysis is necessary.

#### **PSD & ITS Response**

PSD indicated that it is in the process of updating the Procurement Manual and that it will omit section E in chapter 4 discussing the price and cost analysis. This implies disagreement with the recommendation to update the procurement manual to specify the circumstances under which a cost analysis is necessary.

ITS deferred to PSD for this recommendation.

#### **OIG Response**

PSD's plan to simply remove the related language from the manual did not fully address the recommendation and its intent. The recommendation aimed to strengthen accountability and provide consistent application of cost or price analysis through the specification of circumstances under which a cost analysis is necessary.

#### **Observation 4: Vendor due diligence reviews were inconsistent.**

##### **Criteria**

The PSD performs due diligence reviews on bidders during the procurement process to identify potential risks of doing business with the vendors and evaluate the vendors' ability to meet the District requirements. Some of the requirements, as stated in the IFBs, include working under current licenses, no defaults on a contract within the past five years, and no declaration of bankruptcy or placement in receivership within the past three years. PSD also considers whether the bidder is involved in litigation or investigation, has a history of excessive claims against the District, was assessed any penalties for non-compliance with federal and/or state labor laws or regulations, apprenticeship laws, or state public contract laws or regulations, including public bidding requirements.<sup>14</sup>

##### **Condition**

For the three contracts reviewed, we obtained the supporting documents for PSD's due diligence performed on the vendors and found that PSD's due diligence on the three vendors was inconsistent. For example, PSD used different sources (e.g., Westlaw Classic and Dun and Bradstreet) to review, including but not limited to business history, credit score, officers and directors, corporate filings, fictitious names, sanctions, bankruptcies, liens, and judgments.

Table 4 below summarizes PSD's due diligence performed on the vendor for all three contracts.

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<sup>14</sup> IFB No. 2000001173 Section 7.2 Essential Qualifications, page 3  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/10. Essential Qualifications.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/10.%20Essential%20Qualifications.pdf)>.

**Table 4: Due Diligence Performed**

<b>Due Diligence Description</b>	<b>Contract 440000991</b>	<b>Contract 4400005794</b>	<b>Contract 4400007798</b>
Vendor Name	Vector Resources, Inc.	AAA Network Solutions	Mainline Information Systems
Source of Information	Westlaw Classic	Westlaw Classic Dun & Bradstreet	<i>The source of information was unidentifiable.</i>
Business Location	Yes	Yes	Yes
Business History	<i>No</i>	Yes	<i>No</i>
Business Credit Score	<i>No</i>	Yes	<i>No</i>
# of Employees	<i>No</i>	Yes	<i>No</i>
Officers/Directors	Yes	Yes	Yes
Corporate Filings	Yes	Yes	<i>No</i>
Fictitious Business Names <sup>15</sup>	Yes	Yes	<i>No</i>
Operation Description	<i>No</i>	Yes	<i>No</i>
Payment Summary Details	<i>No</i>	Yes	<i>No</i>
Control Change	<i>No</i>	Yes	<i>No</i>
OFAC <sup>16</sup>	Yes	Yes	<i>No</i>
Global Sanctions	Yes	Yes	<i>No</i>
Going Concern	Yes	Yes	<i>No</i>
Healthcare Sanctions	Yes	Yes	<i>No</i>
Associated Business Names	<i>No</i>	Yes	<i>No</i>
Business Credit Search	<i>No</i>	<i>No</i>	Yes
Bankruptcies/Lien/Judgments	<i>No</i>	Yes	Yes
Executive Affiliations	Yes	<i>No</i>	<i>No</i>
State Case Law	Yes	<i>No</i>	<i>No</i>
Docket Records <sup>17</sup>	Yes	Yes	<i>No</i>

Given the inconsistent due diligence reviews performed by PSD, the OIG completed an independent due diligence review for one of the three vendors. This included a review of the vendor's principals and officers, the licensing status, labor and apprenticeship violations, environmental violations, debarment, criminal records, federal litigations, foreclosures, notices of defaults, uniform commercial code filings, and media and trade publications. Our due diligence review did not identify any issues associated with the vendor.

### Cause

<sup>15</sup> A fictitious business name is any business name other than the person's full legal name, the legal name of the company, or any name which suggests additional owners, [https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/11. Fictitious Business Names.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/11.Fictitious%20Business%20Names.pdf).

<sup>16</sup> Office of Foreign Assets Control (OFAC) Search is the process by which organizations identify whether or not any parties involved in a transaction can be found on watch lists maintained by the OFAC, a division of the U.S. Department of the Treasury, [https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/12. FAQ About OFAC.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/12.FAQ%20About%20OFAC.pdf).

<sup>17</sup> A docket is a formal record in which a judge or court clerk briefly notes all the proceedings and filings in a court case. After a case is filed, the court assigns it a docket number, which is the court's case number or tracking number, [https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/13. Dockets and Records.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/13.Dockets%20and%20Records.pdf).

The PSD did not have a formal due diligence manual and/or a checklist describing or listing the due diligence steps for staff to complete. Also, PSD indicated that the levels of reviews may vary based on various criteria, such as dollar thresholds or procurement methods.

### Effect

Inconsistent due diligence reviews may lead to unidentified risks in doing business with vendors, resulting in potential delays in procuring goods and services, disputes, and performance issues impacting District operations.

### **Recommendation No. 5**

PSD should create a policy for due diligence reviews, which includes the methodology and checklist for different levels of due diligence reviews based on appropriate criteria, such as the type of procurement method.

### **PSD Response & ITS Response**

PSD agreed with the recommendation and will develop a policy for due diligence reviews.

ITS deferred to PSD for this recommendation.

The target date of implementation is July 2025.

**Observation 5: The weighted average discount rate on the rate schedule submitted by two bidders on one of the IFB responses was inaccurately calculated.**

### Criteria

All three IFB responses we reviewed required bidders to fill out a rate schedule listing the discount rate for each good and service being offered in a Microsoft Excel file provided by the District. According to IFB documents, the combined total weighted average for each rate schedule is used to determine the highest percentage rate of discount for the purpose of awarding a contract.<sup>18</sup>

### Condition

For the three IFB responses we reviewed, we obtained the rate schedules of all 29 bids (see Table 2 above for the number of bids for each IFB) and recalculated the weighted average percentage of discount rates for each rate schedule. Our calculation found that the weighted average percentage of discount rates was inaccurate for two (7%) of the 29 rate schedules. The two rate schedules with inaccurate calculations were for rate schedules submitted for IFB 2000001173 (AAA Network Solutions & Responder Systems - Contract 4400005794).

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<sup>18</sup> IFB No.2000001173 Section II.A.4. Basis of Award, page 1  
<[https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit\\_files/14. Highest Percentage Rate of Discount.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/14._Highest_Percentage_Rate_of_Discount.pdf)>.



Table 5 below shows the submitted weighted average percentage of discount rates and the OIG auditor's calculations for IFB 2000001173 .

**Table 5: Total Weighted Average Percentage of Discount Rates – IFB 2000001173**

Vendor Name	AAA Network Solutions		JAM Corporation		Responder Systems		Telenet VoIP	
Manufacturer Brand	Valcom	Auditor's Calculation	Telecor	Auditor's Calculation	Rauland Borg	Auditor's Calculation	Valcom	Auditor's Calculation
<i>Centralized Emergency Notification - Weighted Average Discount Rate</i>	45.00%	45.00%	32.30%	32.30%	65.43%	65.43%	N/A*	
<i>School PA System - Weighted Average Discount Rate</i>	42.31%	42.31%	49.00%	54.60%	47.15%	52.14%	N/A*	
<b>Combined Total Weighted Average Discount Rate</b>	<b>42.44%</b>	<b>42.44%</b>	<b>48.17%</b>	<b>53.49%</b>	<b>48.06%</b>	<b>52.80%</b>	<b>N/A*</b>	
<b>Difference</b>	<b>0%</b>		<b>5.32%</b>		<b>4.74%</b>		<b>N/A*</b>	
<b>Contract</b>	<b>Awarded</b>		Not Awarded		<b>Awarded</b>		Not Awarded	

\*JAM Corporation and Telenet VoIP were non-responsive bidders because they submitted incomplete IFB responses and Telenet VoIP did not have the rate schedule in Excel.

However, this inaccuracy did not have an impact since PSD awarded a contract to all responsive and responsible bidders in accordance with the basis of contract award under IFB 2000001173, which states that “it is the intent of the District to award a contract(s)... to any of the nine lowest responsive and responsible bidder(s). The award of contract shall be to any of the responsive and responsible bidder(s) who submit the highest percentage rate of discount.”<sup>19</sup> A contract was awarded to two bidders, AAA Network Solutions and Responder Systems, who were the only ones deemed responsive and responsible. The remaining two bidders were deemed non-responsive for submitting an incomplete IFB or missing rate schedules in Excel format.

### Cause

The inaccuracy was due to an incorrect formula in the rate schedules in a Microsoft Excel file submitted by the bidder. According to the PSD Purchasing Service Manager, the rate schedules were reviewed when the bids were received, but the staff did not catch the error.

### Effect

Incorrect rates in the rate schedules in future bids could result in the District incurring higher costs by awarding a contract to a bidder or a set of bidders, with a lower discount rate.

## **Recommendation No. 6**

<sup>19</sup> IFB No.2000001173 Section II.A.3. Award of Contract, page 1  
<<https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/15. Award of Contract.pdf>>.

PSD should ensure that the Microsoft Excel format provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders.

### **PSD & ITS Response**

PSD agreed with the recommendation and indicated that it will ensure that the Microsoft Excel spreadsheet provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders and that rate schedules are reviewed for accuracy once submitted.

ITS deferred to PSD's response and will collaborate with PSD when deemed applicable.

The target date of implementation is July 2025.

**Observation 6: PSD did not verify that the District received the benefit of the highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency for the goods and services listed in the IFBs.**

#### **Criteria**

All three IFBs we reviewed required bidders to give the District "the benefit of any lower prices which may, for comparable quantity and delivery, be given by the Contractor to any other school district, state, county, municipal or local government agency for the products listed herein."<sup>20</sup>

#### **Condition**

For the three IFBs we reviewed, we asked PSD for documentation demonstrating that the District received the lowest price or highest discount rates given by the bidders to any school district, state, county, municipal, or local government agency. According to the PSD Purchasing Service Manager, PSD did not verify whether the District received the highest discount rates because the District orders in large volumes compared to other school districts and local government agencies. Vendors would argue that they do not have contracts with comparable quantities. It should be noted that the OIG was not able to determine whether the District received the highest discount or lowest price.

#### **Cause**

PSD did not have a formalized process for verifying that it received the lowest price offered by the bidders to any other school district, state, county, municipal, or local government agency. In addition, PSD indicated that access to comparable contracts with other agencies or products is limited.

#### **Effect**

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<sup>20</sup> Section "Preferential Pricing" for all IFBs

<<https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/16. Preferential Pricing.pdf>>

The District may be incurring a higher cost than other school districts, state, county, municipal, or local government agencies for procuring goods and services.

**Recommendation No. 7**

PSD should identify and formalize a process for verifying that the District receives the benefit of the lowest price or highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency.

**PSD & ITS Response**

PSD will continue to employ an honor system and rely on bidders to ensure that the District receives the benefit of the lowest prices or highest discounts given by the bidders to any other school district, state, county, municipal, or local government agency.

ITS deferred to PSD for this recommendation.

Target date of implementation: N/A

**AUDIT TEAM**

This audit was conducted by the Office of the Inspector General's Audit Unit team:

Maria Thomas, Audit Manager  
Armando Ng, Principal Auditor  
Derek Kim, Senior Auditor



**VERBATIM RESPONSE TO DRAFT REPORT**  
**FROM**  
**PROCUREMENT SERVICES DIVISION**  
**AND**  
**INFORMATION TECHNOLOGY SERVICES**



**INTER-OFFICE CORRESPONDENCE**  
**LOS ANGELES UNIFIED SCHOOL DISTRICT**

**TO:** Mark H. Pearson, Assistant Inspector General  
Office of the Inspector General

**Date:** May 13, 2025

**FROM:** Matthew A. Friedman, Interim Chief Procurement Officer <sup>initial</sup> MF  
Procurement Services Division  
  
Soheil Katal, Chief Information Officer <sup>us</sup> SK  
Information Technology Services

**SUBJECT: RESPONSE TO DRAFT AUDIT REPORT OF PROCUREMENT PROCESS -  
INFORMATION TECHNOLOGY SERVICES CONTRACTS**

The following is in response to the draft audit report of Procurement Process - Information Technology Services Contracts. The results of the audit indicated the following:

**Observation 1: Page 7**

Report states: "The manufacturer's price list and a written authorization/verification (proof of authorized dealer) from the manufacturers for one bidder were unavailable."

**Recommendation No. 1: Page 8**

Report states: "PSD should ensure that each vendor's bid submission includes a link to or a copy of the manufacturer's published price list and a written authorization/verification that the vendor is an authorized dealer."

**PSD and ITS Response:**

PSD agrees with the recommendation and will ensure that when required, a manufacturer's price list and/or authorized dealer verification are included in the bid submission.

ITS concurs with PSD's response and will collaborate with PSD to include these requirements when deemed applicable.

Date for action: July 2025

**Observation 2: Page 8**

Report states: "PSD did not send a cost analysis request to the OIG, as stated in the PSD Procurement Manual."

**Recommendation No. 2: Page 8**

Report states: "PSD should (i) determine whether a cost analysis is applicable to the procurement of goods and services, (ii) determine the department that should complete it and engage that department to assess the feasibility and develop applicable criteria, and (iii) update the procurement manual accordingly."

Page 1

PSD and ITS Response:

The 9<sup>th</sup> edition of the Procurement Manual and the latest edition of the Procurement Manual (10<sup>th</sup> ed., effective September 2023), state:

*Federally funded procurements require a cost or price analysis in connection with every procurement action including contract modifications (34 CFR 80.36). Similarly, non-federally funded contracts, including state-funded contracts, also include cost or price analysis as a best practice. Cost analysis is a rate review or price proposal audit performed by the Office of the Inspector General, at the request of PSD. Price analysis includes comparable price proposals or sealed bids, pricing history, published prices, or other objective evidence of price reasonableness.*

The Procurement Manual clearly states that procurements require a cost “or” price analysis. Further, it is stated that a cost analysis is performed by the Office of the Inspector General (OIG). It is not implied nor stated that price analyses are performed by OIG. When applicable, PSD performs price analyses.

PSD determined that cost analyses were not necessary nor required for these procurements and rather performed price analyses which includes analysis of “price proposals or sealed bids...” in compliance with the stated policy. The procurement of goods and services is not the determining factor in selecting a cost analysis or price analysis; rather, selection is made on a case-by-case basis according to what is suitable for the procurement.

The forthcoming 11<sup>th</sup> edition of the Procurement Manual is in progress with a focus on simplifying procedures and user-friendliness. Chapter 5, section E, will be omitted from the new Procurement Manual.

ITS concurs with PSD’s response and will collaborate with PSD regarding any future price analysis and/or cost analysis, when deemed applicable.

Date for action: N/A

**Observation 3: Page 9**

Report states: “PSD did not obtain the product prices nor conduct a cost analysis to determine the bidder with the lowest cost for each product for one IFB.”

**Recommendation No. 3: Page 12**

Report states: “The PSD should complete a cost analysis that includes product prices, in addition to discount rates when bids received include similar products from different/multiple manufacturers, to determine which bidder(s) offers the lowest cost to the District before awarding a contract or issuing a purchase order.”

PSD and ITS Response:

PSD agrees that, when appropriate, PSD should compare rates and prices from manufacturers to determine which bidder(s) offers the lowest cost to the District. However,

the intent for these solicitations were to purchase products from each of the manufacturers requested. Therefore, a cost analysis between manufacturers would be inappropriate. Additionally, the Procurement Manual clearly states that procurements require a cost "or" price analysis. PSD believes a price analysis, which includes analysis of "price proposals or sealed bids, pricing history, published prices, or other objective evidence of price reasonableness," was sufficient to determine the lowest price(s) and best value to the District.

ITS concurs with PSD's response. Furthermore, it is important to recognize that certain procurements may require multiple awards to various manufacturers, particularly when factors such as technical compliance, interoperability, or specific product features play a critical role in meeting the District's requirements. In such scenarios, multiple awards to various manufacturers are necessary to ensure that the District can achieve a balance between business continuity, cost-effectiveness, and technical suitability.

Date for action: N/A

**Recommendation No. 4: Page 12**

Report states: "PSD should update the Procurement Manual to specify the circumstances under which a cost analysis is necessary."

PSD and ITS Response:

The forthcoming 11<sup>th</sup> edition of the Procurement Manual is in progress with a focus on simplifying procedures and user-friendliness. Chapter 5, section E, will be omitted from the new Procurement Manual.

ITS defers to PSD for this recommendation.

Date for action: July 2025

**Observation 4: Page 12**

Report states: "Vendor due diligence reviews were inconsistent."

**Recommendation No. 5: Page 14**

Report states: "PSD should create a policy for due diligence reviews, which includes the methodology and checklist for different levels of due diligence reviews based on appropriate criteria, such as the type of procurement method."

PSD and ITS Response:

PSD agrees with the recommendation and will develop a policy for due diligence reviews.

ITS defers to PSD for this recommendation.

Date for action: July 2025

**Observation 5: Page 14**

Report states: "The weighted average discount rate on the rate schedule submitted by two bidders on one of the IFB responses was inaccurately calculated."

**Recommendation No. 6: Page 15**

Report states: "PSD should ensure that the Microsoft Excel format provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders."

**PSD and ITS Response:**

PSD agrees with the recommendation and will ensure that the Microsoft Excel spreadsheet provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders, and that once submitted, rate schedules are reviewed for accuracy.

ITS concurs with PSD's response and will collaborate with PSD when deemed applicable.

Date for action: July 2025

**Observation 6: Page 16**

Report states: "PSD did not verify that the District received the benefit of the highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency for the goods and services listed in the IFBs."

**Recommendation No. 7: Page 16**

Report states: "PSD should identify and formalize a process for verifying that the District receives the benefit of the lowest price or highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency."

**PSD and ITS Response:**

PSD employs an honor system and relies on bidders to ensure that the District receives the benefit of the lowest prices or highest discounts given by the bidders to any other school district, state, county, municipal, or local government agency.

ITS defers to PSD for this recommendation.

Date for action: N/A



**SCOPE AND OBJECTIVES, METHODOLOGY**

**SCOPE AND OBJECTIVES**

The objective of the audit was to determine whether the procurement of ITS contracts 4400009991, 4400005794, and 4400007798 was in accordance with the Procurement Manual and the Information Technology Support Services Handbook.

We conducted our audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives. The audit covered the period from May 1, 2017 to June 30, 2022.

**METHODOLOGY**

To accomplish our audit objective, the audit team performed various procedures, including but not limited to the following: (i) became familiar with District policies and procedures relevant to the procurement of information system products; (ii) conducted internal control questionnaires, interviewed and completed walkthroughs of the procurement process with key personnel within the PSD; (iii) obtained and reviewed the IFB packages (iv) conducted due diligence for one of the contracts and compared the results with the PSD's due diligence reports; (v) obtained the rate schedules of all bidders, performed recalculation for the total weighted average discount rates, and determined the best priced bidder(s); and (vi) compared the best priced bidder(s) with the ones on the Notice of Intent to Award and inquired with ITS and PSD when different.

**EVALUATION OF INTERNAL CONTROLS**

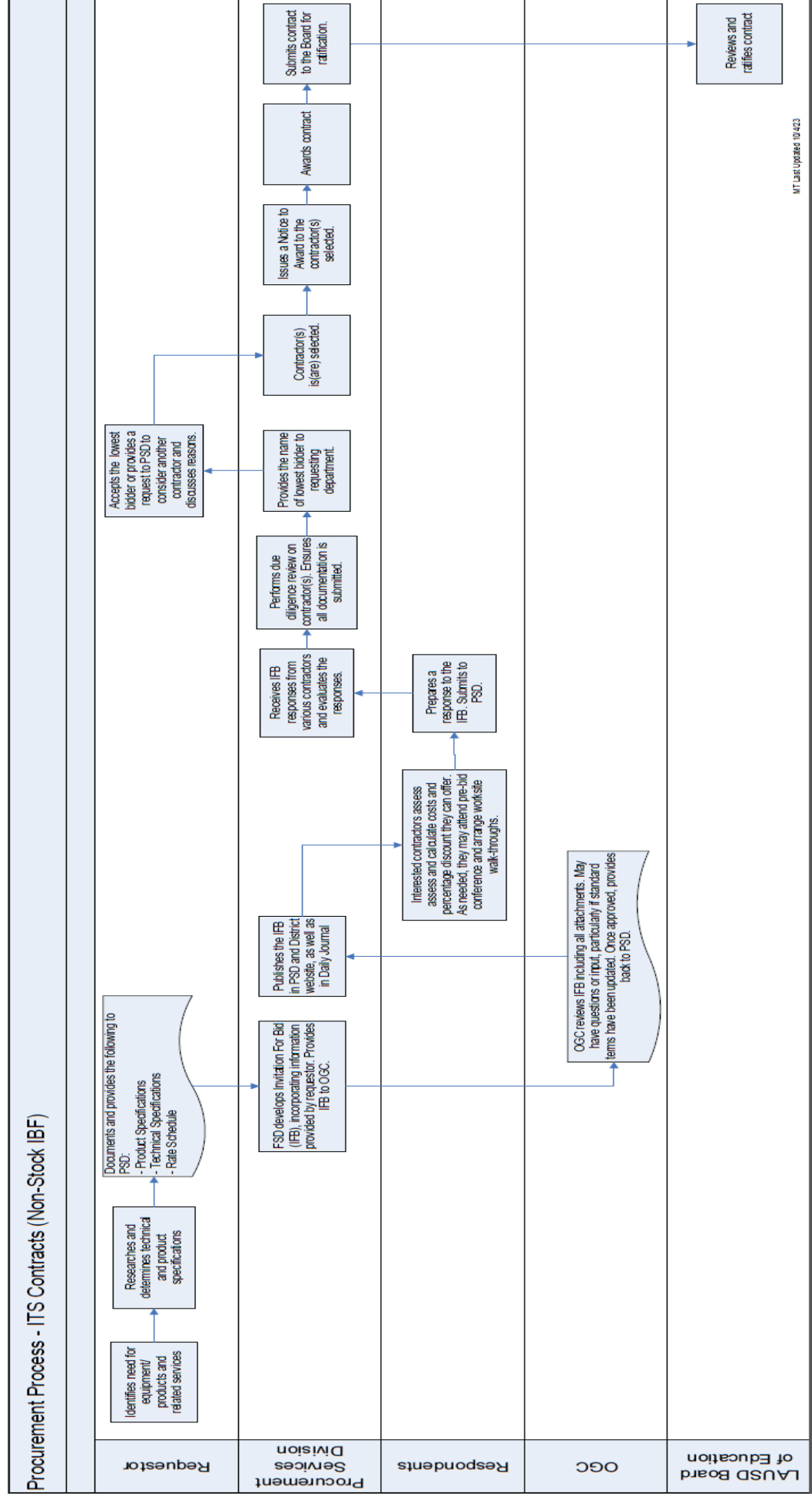
In accordance with *Government Auditing Standards*, we obtained an understanding of internal controls that are significant within the context of the audit objectives. We assessed whether internal controls were properly designed and implemented. For those controls that were deemed significant, we obtained sufficient, appropriate evidence to support our assessment about the effectiveness of those controls.

We are required to report deficiencies in internal controls that are significant within the context of the audit objectives. A deficiency in internal controls 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 (i) impairments of effectiveness or efficiency of operations, (ii) misstatements in financial or performance information; or (iii) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. Based on our audit, we did not find significant deficiencies in internal controls. Still, we found that internal controls could be strengthened and improved, details of which were provided in this report's Results of Audit section.

## APPENDIX 2

### FLOWCHART OF PROCUREMENT PROCESS

Prepared by OIG based on PSD Policies and Procedures



## **Know about fraud, waste or abuse?**

### **Tell us about it.**

Maybe you are a school district employee, a parent or just a concerned citizen. Regardless, you can make a difference!

Maybe you know something about fraud, waste, or some other type of abuse in the school district.

The Office of the Inspector General has a hotline for you to call. You can also email or write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

## **Whistleblower Protection**

The Board approved the Whistleblower Protection Policy on February 12, 2002. This policy protects LAUSD employees who make allegations of improper governmental activity from retaliation or reprisal. To assure the reporting of any activity that threatens the efficient administration of the LAUSD, reports that disclose improper governmental activities shall be kept confidential.

## **General Contact Information**

Office of the Inspector General  
333 S. Beaudry Avenue, 12th Floor  
Los Angeles, CA 90017  
Phone: (213) 241-7700  
Fax: (213) 241-6826  
<https://achieve.lausd.net/oig>

**Fraud, Waste and Abuse Hotline**  
**(866) 528-7364 or (213) 241-7778**  
inspector.general@lausd.net