Los Angeles Unified School District
Office of the Inspector General

Volume Rebate Program Audit: Enhancing Controls for Better Tracking and Collection

OA 25-1455
June 23, 2025

Sue Stengel
Inspector General

Los Angeles Unified School District
Office of the Inspector General

June 23, 2025

Mr. Matthew Friedman, Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 19th Floor Los Angeles, CA 90017

RE: Volume Rebate Program Audit

Dear Mr. Friedman:

Enclosed is the final report on our audit of the District's Volume Rebate Program.

Please feel free to contact our office if you have any questions or need additional information.

Sincerely,

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Attachment

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Enhancing Controls for Better Tracking and Collection

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) conducted an audit of the Los Angeles Unified School District's (District) Volume Rebate Program. The audit assessed the District's effectiveness in tracking and collecting volume rebates from vendors to ensure that the District maximizes its financial benefits and maintains fiscal responsibility.

While the District has established the Volume Rebate Program to enhance revenue collection, significant deficiencies hinder its effectiveness. Key issues included the absence of a robust, centralized rebate tracking system; outdated policies; inconsistent tracking practices across procurement groups; gaps in monitoring and enforcement; and incomplete tagging of rebate-eligible purchases and contracts in the District's systems.

Despite these challenges, the audit team identified a population of approximately 362 contracts with rebate provisions (there may be additional contracts that were unidentifiable for the reasons stated above). We selected a sample of 31 (8.5%) rebate contracts for testing from that population.

Our testing found that 14 (45%) contracts had unpaid or underpaid rebate amounts with an estimated under-collection of $615,772, exclusive of interest and penalties. This under-collection represented approximately 30% of those contracts' expected rebate value. It is worth mentioning that these 31 contracts represented 8.5% of the population, suggesting that the actual amount of uncollected rebate payments is substantially higher. However, due to limited resources and the size of our sample, we cannot extrapolate, with confidence, the full final impact to the entire contract population to estimate the total loss of revenue. Additional resources and testing, would be necessary to provide that information.

In addition, the audit found that not all vendor payments subject to rebate provisions were properly identified or tagged in SAP,[1] preventing them from being included in rebate tracking and recovery efforts. A separate sample of 108 untagged payments revealed $7 million in purchases that were associated with rebate contracts but not tracked, further increasing the risk of missed collections.

Key Findings:

1. **Deficiencies in Rebate Tracking, Collection, and Enforcement Controls**

   - The District lacks standardized procedures for managing rebate agreements, leading to inconsistencies in contract terms, calculation methods, and payment timelines.

   - There is no formal enforcement process for collecting rebates. Buyers often log payments when received, but do not consistently follow up with vendors or apply penalties such as interest charges.

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[1] SAP (Systems, Applications and Products in Data Processing) is an integrated software system used by the District for accounting, procurement, and other business management operations.

- The Volume Rebate (VR) Tracking System is not mandatory, and its limited functionality—including lack of integration with SAP, absence of automated rebate calculations, and no tracking of outstanding balances--prevents accurate tracking, monitoring, verification, and collection of rebate payments.

- Rebate calculations are complex and vary significantly from contract to contract, requiring manual verification, which increases the risk of under-collection and miscalculations.

- SAP, the District's official system of record, is not consistently used for rebate tracking, making audits and reconciliations difficult.

- Of the 31 rebate contracts tested:

  ➤ 14 (45%) had unpaid or underpaid rebates totaling an estimated $615,772.[2]

  ➤ Only 55% were tracked in the VR system.

  ➤ 45% had no evidence of reminders sent to vendors to remit rebate payments.

  ➤ 59% of the rebate payments recorded in the VR System had errors, including duplicate entries and overstatements.

2. **Incomplete Tracking of Rebate-Eligible Purchases**

- Many vendor payments were not tagged to specific contracts in SAP, making it difficult to determine whether rebates were owed or collected.

- In a sample of 108 untagged vendor payments totaling $8.6 million, 33 payments worth $7 million were later confirmed to be subject to rebate provisions—but were not tracked due to missing contract identifiers.

- SAP SRM[3] includes a rebate contract flag; however, staff did not consistently use this field. Additionally, SAP Ariba[4] (Ariba), which the District began using on July 1, 2024, for newly awarded contracts, does not currently have a field to identify rebate contracts.

- Purchase orders issued by school sites and local offices often lack contract numbers because site staff may not have visibility into applicable contracts—further preventing accurate rebate tracking.

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[2] The underpaid rebate total is an estimate based on payment data reduced by 10% to account for non-rebate-eligible charges, such as sales tax and shipping.
[3] SAP SRM (Supplier Relationship Management) was the District's legacy SAP module for procurement and was replaced by SAP Ariba effective July 1, 2024.
[4] SAP Ariba is a cloud-based procurement solution that allows suppliers and buyers to connect and do business over a single platform.

- In our audit sample of 31 rebate contracts, 10 contracts (32%) were not flagged as rebate contracts in SAP, despite containing rebate terms.

Summary of Key Recommendations

We recommend that PSD strengthen its systems, policies, and operational practices to improve rebate tracking, monitoring, collection, and oversight. Key recommendations include:

- **Developing a more robust rebate tracking system** that automates data uploads from SAP, stores contract terms, supports reminder emails and dashboards, and integrates with Ariba.

- **Improving system integration and tagging**, including completing the implementation of a rebate contract flag in Ariba and aligning it with SAP for consistent tracking.

- **Automating reconciliation processes** to help identify rebate-eligible purchases and flag unmatched transactions for follow-up.

- **Standardizing policies and contract language** across procurement teams, including default rebate payment schedules and vendor documentation requirements.

- **Improving operational controls** by requiring better purchase order tagging, verifying rebate payments against contract terms, and performing regular reconciliations across systems.

- **Strengthening collection and enforcement procedures**, including assigning staff to monitor payments, issuing timely reminders, and applying escalation protocols when vendors fail to pay on time.

- **Recovering missed rebates identified in this audit**, totaling approximately $680,000. That amount includes $615,772 in underpayments identified through the limited contract testing, as well as the additional uncollected rebate payments related to the $7 million in vendor payments that were made against rebate contracts in our sample but were not identified as such in SAP--and therefore were excluded from PSD's tracking and collection efforts.

Conclusion

The audit highlights systemic deficiencies in the District's rebate tracking and collection efforts, resulting in significant financial losses. Addressing these gaps through standardized procedures, automation, and stronger enforcement will improve accountability and ensure the District maximizes its rebate revenue.

PSD Response

PSD agreed with the audit findings and acknowledged that the lack of standardized procedures has contributed to inconsistent rebate tracking and collection practices. In response, PSD committed to revising its processes beginning July 1, 2025, with the goal of transitioning to a fully system-managed rebate program by December 2026. Planned actions include developing an automated tracking and

reconciliation system integrated with SAP and Ariba, standardizing contract language and rebate schedules, assigning staff to oversee rebate management, and initiating recovery of missed rebate payments from the past two years.

INTRODUCTION

The District purchases large volumes of supplies, equipment, furniture, and services, prompting the establishment of the Volume Rebate Program. Under this program, vendors with volume rebate provisions in their contracts are required to pay the District a rebate of a percentage (usually 1%) of the total sales prices of all purchases, excluding taxes, etc., that are shipped and billed during a period of time, usually each calendar quarter. The rebate is due and payable to the District within 30 or 45 days following the end of the respective quarter. In cases where the rebates are not paid on time, some contracts stipulate that interest shall accrue at a rate of 1.5% per month until the rebate is paid in full.

As part of this audit, we identified approximately 362 active contracts that included volume rebate provisions. We selected a sample of 31 (8.5%) contracts from this population for detailed testing to assess whether the associated rebate payments were properly tracked, collected, and recorded. This audit examines the effectiveness of the District's tracking and collection of these rebates to ensure that the District maximizes its financial benefits and maintains fiscal responsibility.

SCOPE AND OBJECTIVE

The objective of this audit was to evaluate the District's effectiveness in tracking, monitoring, and collecting volume rebates from vendors, ensuring that all eligible rebates are collected in a timely manner. The scope of the audit included those contracts with volume rebate provisions and having received payments subject to volume rebate during the period from July 1, 2022, through June 30, 2024.

METHODOLOGY

To achieve the audit objective, we performed the following steps:

- **Interviews with Procurement Services Division Staff**: We conducted interviews with staff from the Procurement Services Division to gain an understanding of the District's Volume Rebate Program, including its associated policies, procedures, and the process used to monitor vendors' compliance with the volume rebate payment requirements.

- **Contract Review**: A sample of contracts containing volume rebate provisions was selected and reviewed to determine whether vendors adhered to the agreed-upon rebate payments. The review focused on confirming that payments were made in accordance with the contracts' specified terms.

- **Testing of Tracking Mechanism**: We evaluated the District's system for tracking vendors' volume rebate payments to assess its accuracy and effectiveness in monitoring the timely receipt of payments and the application of any interest charges on overdue payments.

Volume Rebate Program Audit:
Enhancing Controls for Better Tracking and Collection

GAGAS COMPLIANCE STATEMENT

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

RESULTS OF AUDIT

The audit assessed the District's effectiveness in tracking and collecting volume rebates from vendors and identified significant deficiencies that limit the effectiveness of the Volume Rebate Program.

Key issues included outdated policies, inconsistent tracking practices across procurement groups, gaps in monitoring and enforcement efforts, and the absence of a robust rebate tracking system integrated with the District's existing platforms, such as SAP and Ariba. These weaknesses contributed to an estimated under-collection in rebates totaling $615,772 from a sample of 31 rebate contracts reviewed. Of that sample of 31 contracts, 14 contracts (45%) had unpaid or underpaid rebate amounts.

The under-collection represented approximately 30% of the total expected rebate value for those contracts, meaning the District was projected to collect about $2 million but recovered only a portion.

In addition, the audit found that not all vendor payments subject to rebate provisions were properly identified or tracked in the District's systems. This led to missed opportunities for rebate collection and incomplete documentation of rebate activity.

To improve the effectiveness of the program, the District should strengthen monitoring processes, update its policies and procedures, and enhance system integration and tracking capabilities.

The following sections present the detailed findings of our review.

Finding No. 1 – Deficiencies in Rebate Tracking, Collection, and Enforcement Controls

Criteria

The criteria for evaluating the rebate tracking and collection process include:

- **Accuracy of Data Management**: Ensuring rebate calculations and records are maintained correctly without duplication or errors.

- **System Integration**: The presence of a centralized, automated tracking system that facilitates real-time monitoring of rebates.

- **Compliance with Contract Terms**: Adherence to the terms outlined in rebate agreements, including payment timelines and conditions.

- **Effectiveness of Collection Practices**: The organization's ability to follow up on outstanding payments and enforce collection policies consistently.

- **Standardization of Procedures**: Uniformity in rebate management practices across departments to eliminate discrepancies.

- **Communication and Coordination**: Efficiency in interdepartmental communication to avoid missed payments and ensure timely reconciliations.

However, our audit found that the District's current practices fall short of these criteria, resulting in significant inefficiencies and financial losses, as detailed in the following findings.

Condition

Lack of Standardized Procedures and Centralized System to Track and Collect Payments

Prior OIG audits have found that contractors were not consistently paying volume rebates due under their contracts. In response, around 2016, the then–Chief Procurement Officer directed PSD staff to begin tracking and collecting rebate payments. However, buyers were not provided with formal procedures, centralized tools, or system-wide guidance.

Our interviews with the four procurement groups—Store Procurement, Non-Stock/Digital Device/M&O, Food, and Instructional Materials—found that each group operates independently, using its own tracking methods. There are no standardized procedures or centralized systems in place to support consistent and efficient rebate tracking and collection.

To assist with tracking, PSD's information technology staff developed the Volume Rebate (VR) Tracking System at the request of certain buyers. However, the system's use was never made mandatory, and adoption varies across procurement groups. It was designed as a practical support tool, not a full-scale rebate management system. While the system includes helpful features, it lacks several key functions needed to ensure timely and accurate collection of rebate payments Districtwide.

Capabilities:

✓ Allows buyers to generate notices and reminder emails to vendors with the total volume of sales on the contract.

✓ Records vendor responses and any payments received.

Features Not Included:

✗ No integration with SAP — PSD IT staff must manually extract purchase data from SAP and upload it into the VR system, and only for contracts that buyers request to be tracked.

✖ No automated computation of rebate amounts due—the system does not compute rebate amounts due, and buyers are not consistently performing these calculations manually, therefore the District has no independent method to verify whether vendor payments are accurate or complete.

✖ No tracking of outstanding balances owed—making it difficult to identify unpaid rebates or enforce timely collection.

✖ No automatic follow-up or escalation—reminder emails must be manually initiated by PSD buyers.

Because the system is not mandatory, some groups continue to rely on manual tools, such as spreadsheets, to track rebate activity. These disparate methods do not integrate with one another or with the VR system, creating data silos and increasing the risk of errors, such as duplicate entries, missed follow-ups, and uncollected payments.

Lack of Active Collection and Enforcement

There is no formalized enforcement process to ensure timely collection of rebate payments. As a result, buyers log rebate payments when received rather than actively pursuing collection. Although most rebate payments are due quarterly, buyers do not consistently follow up with vendors who fail to submit payments on time.

Buyers and PSD management primarily focus on sending reminders and recording received payments, but do not actively monitor unpaid rebates or take enforcement actions--such as withholding payments or assessing interest charges--against delinquent vendors.

We tested 31 rebate-eligible contracts to assess whether reminder notices were sent to vendors. Our review found that reminder follow-up was inconsistent or entirely absent:

• 11 contracts (35%) were not tracked in the VR Tracking System, and no reminder emails were sent for any of them. Of these 11 contracts, 4 had underpaid rebate payments.

• Of the 20 contracts (65%) that were tracked, three (15%) were missing an Initial Notice, the first step in the system's reminder process.

The VR Tracking System provides templates for four reminder states:

● Initial Notice

● Late Notice #1

● Late Notice #2

● Final Notice of Non-Compliance

However, these emails must be manually triggered by buyers and are not sent automatically. Our audit found that reminder notices were often incomplete or missing, as illustrated in Figure 1 below.

Figure 1. Rebate Contract Reminder Activity (31 Contracts Tested)

Rebate Contract Reminder Activity (31 Contracts Tested)

Figure 1 illustrates the reminder activity for the 31 rebate-eligible contracts we tested. Over half (55%) were tracked and had an Initial Notice sent. However, 10% of tracked contracts were missing this initial step, and 35% were not tracked at all, resulting in no reminders being sent. These findings highlight inconsistent use of available tracking tools and a lack of formalized follow-up procedures, increasing the risk that rebate payments may go uncollected.

Timely Reminders Can Lead to Successful Collection - Our audit found that when reminder notices are sent, they can be highly effective in prompting vendor compliance and recovering overdue rebate payments. The example below illustrates the importance of consistent follow-up.

Examples of Effective Reminder Activity

Vendor 1

This contract was tracked in the VR Tracking System. On October 2, 2024, an Initial Notice was sent for three overdue quarters: Q3 2022, Q2 2023, and Q3 2023. The vendor responded the next day and issued payment covering all three quarters on October 3, 2024.

Vendor 2

This contract was initially not tracked in the VR Tracking System. As part of our audit, it was added to the system and an Initial Notice was sent on July 18, 2024, for Q2 2024. A series of follow-up notices were sent: Late Notice #1 on August 5, Late Notice #2 on August 8, and a Final Notice on September 17. The vendor issued payment on August 30, 2024.

These examples demonstrate that proactive and persistent reminder efforts can directly result in the successful collection of rebate payments, even for previously untracked contracts.

These results highlight the need for a more proactive and coordinated approach to rebate collection. While the VR Tracking System can generate reminder notices, this functionality is not used consistently. Moreover, reminder efforts--though helpful--are not sufficient on their own without systematic tracking, routine monitoring of unpaid balances, and enforcement actions. Buyers do not actively track outstanding balances or take enforcement actions, such as assessing interest or withholding payments from non-compliant vendors. Without a formalized, Districtwide process for monitoring, follow-up, and enforcement, there is a heightened risk that rebate payments will be delayed, underpaid, or entirely uncollected.

Inaccuracies in Rebate Payment Recording

We identified errors in how rebate payments were recorded in the VR Tracking System when vendors submitted a single check covering multiple contracts. These checks sometimes lacked identifying information, such as contract numbers or applicable time periods, making it difficult to determine the correct allocation across contracts.

In one case, a vendor issued a rebate check for $7,522.49 that covered seven contracts. Instead of dividing the payment across the applicable contracts, PSD staff entered the full $7,522.49 as the "payment received" for each of the seven contracts in the VR Tracking System. While the staff documented the intended allocation in the comments section, the overstatement in the system's "payment received" field resulted in a total recorded amount of $52,657.43, an overstatement of $45,134.94. In another case, the "payment received" field for the subject contract was left blank, though the full amount of the check was entered.

This example illustrates how the lack of system controls for enforcing proper allocation can result in

inaccurate rebate records. Without automated checks or reconciliation features, these types of discrepancies may go unnoticed and undermine the accuracy of rebate tracking and reporting.

The following summarizes the broader issue identified during our review:

- 10 of 17 contracts with rebate payments recorded in the VR Tracking System (59%) had errors in how rebate payments were recorded.

- Incorrect entries led to discrepancies between actual collections and recorded amounts.

- Lack of reconciliation features made it difficult to verify amounts still owed.

To further illustrate this issue, Figure 2 shows the proportion of contracts with and without rebate payment recording errors in the VR System.

Figure 2. Contracts with and Without Recording Errors in the VR Tracking System

Contracts with and Without Recording Errors in the VR Tracking System

Contracts without Recording Errors

41.2%

58.8%

Contracts with Recording Errors
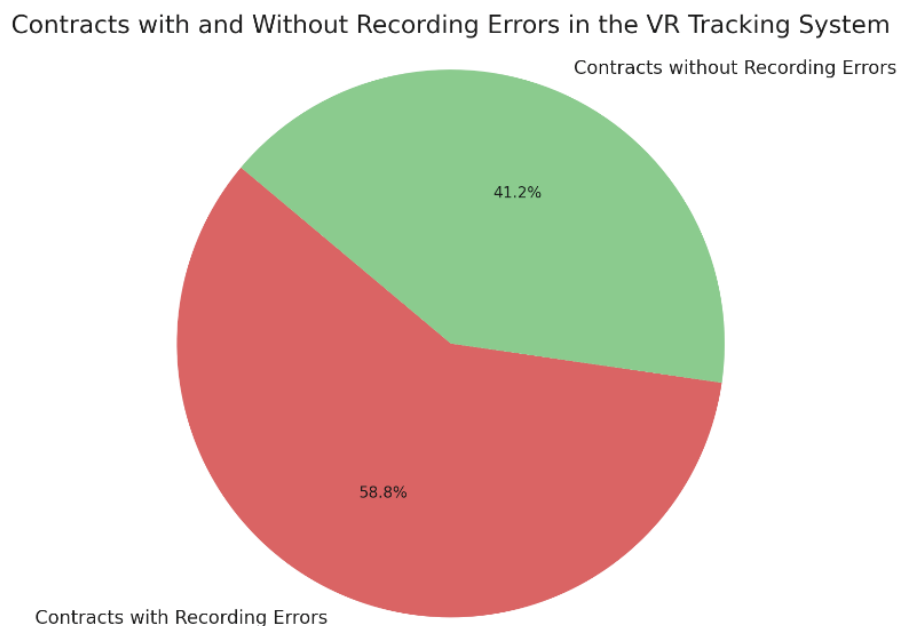
As shown in Figure 2, approximately 59% of the contracts reviewed had rebate payments recorded incorrectly in the VR Tracking System. These included duplicate entries and misallocations. The lack of system controls and reconciliation features contributed to these errors and hindered the District's ability to accurately track rebate collections.

Inconsistency of Tracking and Collection Practices by Group

To evaluate inconsistencies in how volume rebate contracts are tracked and managed, we interviewed each Purchasing Services Manager and Senior Contract Administration Manager and reviewed a sample of 31 rebate contracts across the four procurement groups. Our testing focused on the use of the Volume Rebate (VR) Tracking System, follow-up practices, and the effectiveness of rebate collection efforts. The following sections present a detailed analysis of each group's rebate tracking practices, system usage, and collection outcomes based on our contract testing.

1. **Store Procurement Group**

   The Purchasing Services Manager for this group confirmed that the buyers in his group were all required to use the VR Tracking System to track and record the rebate payments.

   We reviewed 10 rebate contracts managed by Store Procurement Group. The following are the results of our review:

   - All 10 contracts were tracked in the VR Tracking System.

   - The buyers used the VR Tracking System to consistently send reminder emails for 10 of the contracts (100%).

   - Three contracts (30%) had underpaid/outstanding volume rebate payments, with vendors owing approximately $341 in rebates on these contracts.

   - The volume rebate checks were recorded in the VR Tracking System.

   - Volume rebate checks were not uploaded to SAP, which was required by PSD's Standard Operating Procedures.[5]

   Table 1 summarizes the results of our contract testing for the Store Procurement Group, including system usage, follow-up activity, and rebate collection outcomes.

   Table 1. Store Procurement Group – Contract Review Summary

Metric	Value
Number of Contracts Reviewed	10
Percentage of Reviewed Contracts Tracked in VR System	100%
Percentage of Contracts with Reminder(s) Sent to Vendors	100%
Percentage of Contracts with Underpaid Rebate Payments	30%
Total Amount of Underpaid Rebates	$341
Percentage of Underpaid Rebate Payments	1%
Rebate Checks Uploaded to SAP	No

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[5] SOP-P1070-Rebates-7-31-15.pdf

2. Non-Stock/Digital Device/M&O Procurement Group

The buyers briefly used the VR Tracking System a few years ago but discontinued its use until mid-2024, when this audit began. Before that, tracking efforts were limited to logging received checks in an Excel spreadsheet. Most of the buyers responsible for the contracts reviewed had left the District, and there was no evidence that they had actively pursued rebate collections or sent notices for overdue payments.

We reviewed 13 rebate contracts managed by Non-Stock/Digital Device/M&O Procurement Group. The following are the results of our review:

- Six out of the 13 contracts (46%) were tracked in the VR Tracking System and seven contracts (54%) were not.

- The buyers used the VR Tracking System to send reminder emails for only three of the six contracts (50%) tracked in the VR Tracking System. However, each of these three contracts had only one reminder email sent, rather than following the full sequence of reminder notices.

- Nine contracts (69%), including five that were not tracked, had underpaid/outstanding volume rebate payments, with vendors owing approximately $435,221 in rebates on these contracts. Upon our inquiry, one of the vendors promptly remitted $132,114 of the rebate owed.

- Only five contracts' rebate checks were recorded in the VR Tracking System.

- All rebate checks reviewed were uploaded to SAP as required by the SOP.

Table 2 summarizes the results of our contract testing for the Non-Stock/Digital Device/M&O Procurement Group, including system usage, follow-up activity, and rebate collection outcomes. The table highlights lower system usage and a higher rate of underpaid rebates.

Table 2. Non-Stock/Digital Device/M&O Procurement Group – Contract Review Summary

Metric	Value
Number of Contracts Reviewed	13
Percentage of Reviewed Contracts Tracked in VR System	46%
Percentage of Contracts with Reminder(s) Sent to Vendors	23%
Percentage of Contracts with Underpaid Rebate Payments	69%
Total Amount of Underpaid Rebates	$435,221
Percentage of Underpaid Rebate Payments	31%
Rebate Checks Uploaded to SAP	Yes

3. Food Procurement Group

The Purchasing Services Manager for this group indicated that all food contracts were tracked in the VR Tracking System. We reviewed a sample of four food contracts, and the following are the results of our review:

- All four contracts were tracked in the VR Tracking System.

- The food contracts' sponsor, the District's Food Services Division, maintains a log of all rebate checks received from the vendors.

- The District did not receive any rebate payments for one contract of the four contracts reviewed despite the contract being tracked in the VR System, since no efforts were made to collect overdue rebate payments. The vendor owed $138,862 in rebate payments.

- For the remaining three contracts, rebate checks were recorded in the VR Tracking System for only two of them.

- None of the volume rebate checks were uploaded to SAP, as required by PSD's Standard Operating Procedures.

Table 3 summarizes the results for the Food Procurement Group, where all contracts were tracked, but collection follow-up was inconsistent, and underpayments were significant.

Table 3. Food Procurement Group – Contract Review Summary

Metric	Value
No. of Contracts Reviewed	4
Percentage of Reviewed Contracts Tracked in VR System	100%
Percentage of Contracts with Reminder(s) Sent to Vendors	100%
Percentage of Contracts with Underpaid Rebate Payments	50%
Total Amount of Underpaid Rebates	$ 180,210
Percentage of Underpaid Rebate Payments	39%
Rebate Checks Uploaded to SAP	No

4. Instructional Materials Procurement Group

According to PSD's Senior Contract Administration Manager, her group began recording instructional materials contract rebate checks on a spreadsheet around early 2025. Her group was not aware of the VR Tracking System. We reviewed four instructional material contracts, and the following are the results of our review:

- All four vendors submitted rebate payments to the District. However, the group did not actively calculate, track, or verify the amounts owed, relying on vendors to self-report and remit rebate payments. While our testing did not identify any underpaid rebates, the absence of independent tracking or validation creates a risk that underpayments may go undetected.

- To illustrate the potential impact of this passive approach, one vendor submitted a rebate check for $51,932 that was not recorded in any system and was never deposited by the District (the rebate check was lost). The issue was only identified and corrected due to our audit inquiry. The vendor reissued the check to the District during our examination.

- The rebate checks were not saved in SAP.

Table 4 provides the results for the Instructional Materials Procurement Group, which lacked system use and relied entirely on vendor self-reporting without independent verification.

Table 4. Instructional Materials Procurement Group – Contract Review Summary

Metric	Value
No. of Contracts Reviewed	4
Percentage of Reviewed Contracts Tracked in VR System	0%
Percentage of Contracts with Reminder(s) Sent to Vendors	0%
Percentage of Contracts with Underpaid Rebate Payments	0%
Total Amount of Underpaid Rebates	$0
Percentage of Underpaid Rebate Payments	0%
Rebate Checks Uploaded to SAP	No

The following charts summarize our findings across all procurement groups, highlighting both the extent of system adoption and the financial impact of under-collected rebates. Figure 3 presents the percentage of contracts tracked in the VR Tracking System by group. Figure 4 shows the percentage of contracts for which initial notices were sent, illustrating clear differences in follow-up activity. Figure 5 illustrates the distribution of total underpaid rebate amounts by procurement group, helping to identify where the greatest financial exposure exists. Figure 6 presents the rebate underpayment rate alongside the associated dollar impact.

Figure 3. Use of the VR Tracking System by Procurement Group
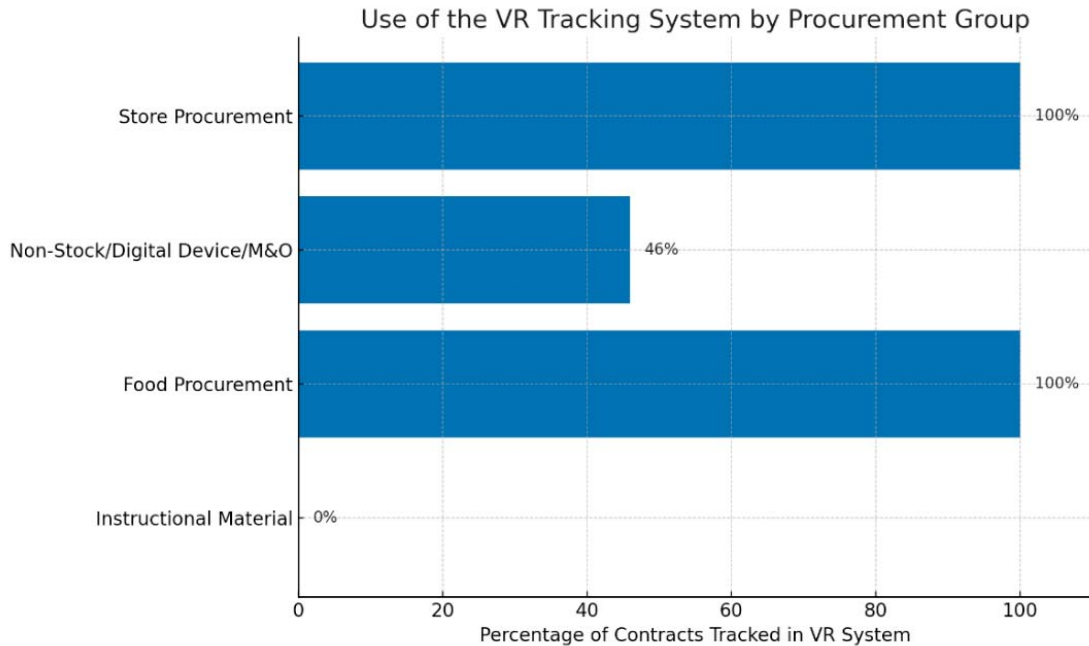
This chart compares the percentage of contracts tracked in the VR Tracking System across all procurement groups, highlighting the extent of system adoption and inconsistencies in rebate tracking.

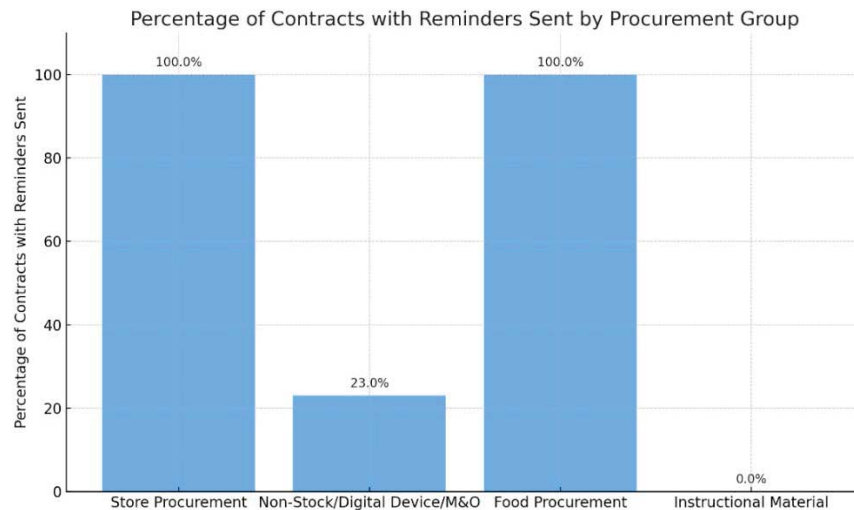**Figure 4. Percentage of Contracts with Reminders Sent**

Figure 4 shows the percentage of contracts for which each procurement group sent initial notices. Practices ranged from full follow-up (Store and Food) to minimal or no activity (Non-Stock/Digital Device/M&O and Instructional Materials).

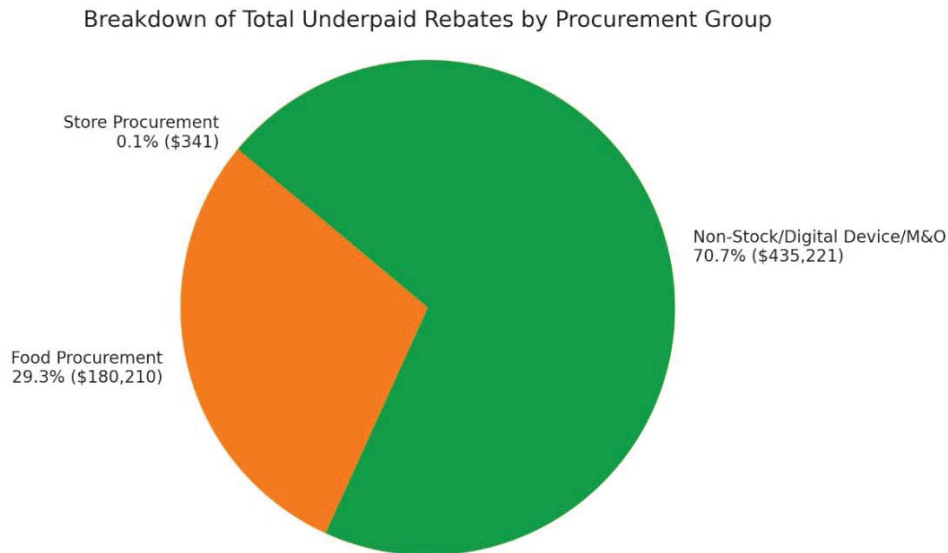**Figure 5: Breakdown of Total Underpaid Rebates by Procurement Group**

Figure 5 shows the distribution of underpaid rebate amounts by procurement group. Non-Stock, Digital Device/M&O and Food contracts accounted for the vast majority of the $615,772 in estimated underpayments, highlighting areas with the highest financial exposure.

Figure 6: Rebate Underpayment Rate and Dollar Impact by Procurement Group
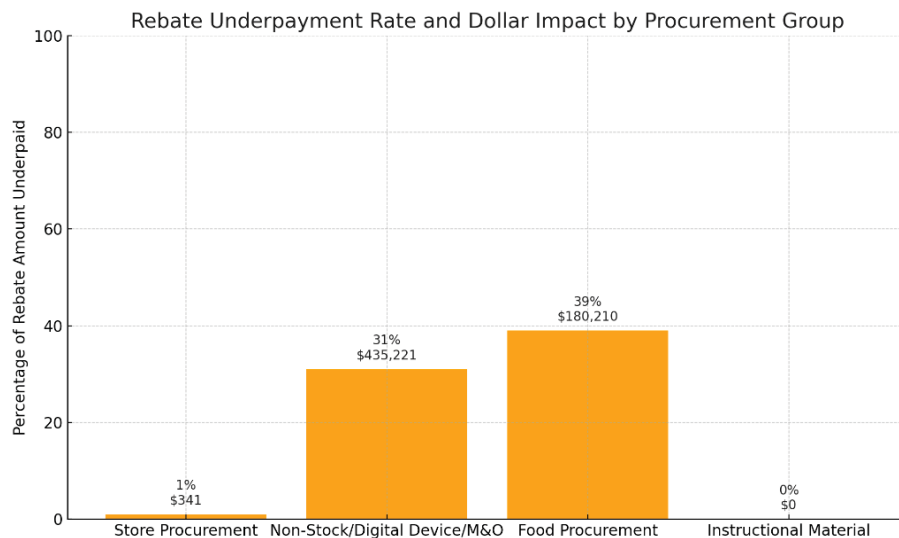

Figure 6 shows underpayment rates and dollar impacts by procurement group. It reinforces that Non-Stock, Digital Device/M&O and Food contracts accounted for the largest financial shortfalls, despite managing a relatively small portion of the total contracts reviewed.

Volume Rebate Program Audit:
Enhancing Controls for Better Tracking and Collection

The results of our audit demonstrate that the District's current approach to tracking and collecting volume rebate payments is fragmented, inconsistently applied, and lacks essential controls. Procurement groups operate in silos, using different methods ranging from full use of the VR Tracking System to passive reliance on vendor self-reporting without standardized procedures or oversight.

System limitations, including the inability to calculate rebate amounts due or track outstanding balances, combined with manual processes and missing documentation, have contributed to inaccurate payment records and under-collection of rebate funds. Enforcement actions were rarely taken, even when vendors failed to remit payments on time.

A more standardized, proactive, and system-supported approach is needed one that includes formal procedures, automation, monitoring, and accountability to ensure rebate obligations are accurately calculated, actively pursued, and transparently recorded across all departments.

Table 5 summarizes the results of our contract testing across all procurement groups:

Table 5. Key Results from Contract Testing

Metric	Result
Total rebate contracts reviewed	31
Contracts with underpaid or unpaid rebates	14 (45%)
Total estimated amount of underpaid or unpaid rebates	$615,772
Contracts not tracked in VR System	11 (35%)
Procurement group with the highest $ underpaid	Non-Stock/Digital Device/M&O ($435,221)
Procurement group with the highest % of contracts underpaid	Non-Stock/Digital Device/M&O (69%)
Procurement group with the highest % of total rebate dollars underpaid	Food Procurement (39%)
Largest underpayment from a single contract	$262,766 (Non-Stock/Digital Device/M&O)
Rebate check not deposited or recorded due to tracking lapse	$51,932 (Instructional Materials)

Causes

Lack of Updated Standard Procedures for Rebate Tracking and Collection

The District lacks a standardized, up-to-date, and enforceable framework for tracking and collecting volume rebate payments. The current PSD Standard Operating Procedures (SOP), issued in 2015, are outdated and inconsistent with more recent management directives. They contain conflicting guidance on roles and responsibilities and do not reflect current practices or tools used in rebate tracking and collection.

- The SOP assigns responsibility for ensuring vendor compliance to the contract sponsors (e.g., schools or departments), but PSD management later directed procurement staff to take on this responsibility. The SOP was never updated to reflect this change.

- The SOP provides conflicting instructions on where rebate checks should be submitted: one section refers vendors to Revenue Accounting, while another directs procurement staff to ensure checks are sent to the "appropriate District office." In practice, contract language varied widely—some checks were sent to the Pico Rivera Office, others to Beaudry, and some contracts lacked any submission instructions at all.

- The SOP contains no guidance on tracking or collecting volume rebates in practice.

- Current contract terms only require vendors to reference the contract number on rebate checks, but do not require them to include payment period or allocation details when one check covers multiple contracts. This contributes to allocation errors, incomplete tracking, and manual workarounds.

Lack of a Robust Rebate Tracking System for Mandatory Use

The use of the Volume Rebate (VR) Tracking System is not mandatory, and its functionality is limited. The system does not calculate rebate amounts due, track outstanding balances, or automate follow-up. Buyers face further difficulties due to contract variability, lack of net sales data in SAP, and limited support for reconciliation. These gaps in the policy, system design, and oversight have led to fragmented practices across procurement groups and weak accountability for rebate collection.

Challenges in Rebate Calculation and Payment Tracking

While some procurement groups use the VR Tracking System to email vendors requesting rebate payments, the system does not calculate rebate amounts due, specify how much should be paid, or track outstanding balances. It provides quarterly invoice totals for contracts that have been manually loaded into the system, but the responsibility for determining what is owed remains with the buyers.

According to PSD management, accurately calculating rebate amounts is complex and time-consuming due to the wide variation in contract terms. Table 6 summarizes key differences that make automation difficult and manual review necessary:

Table 6. Contract Variability Summary

Contract Term	Variability
Rebate Percentage	Ranges from 1% to other custom rates
Payment Schedule	Quarterly (most common), monthly (some contracts)
Rebate Basis	All sales vs. incremental sales above a threshold
Payment Deadline	30 days vs. 45 days after quarter-end
Sales Calculation Method	Shipped and billed vs. billed and paid

These variations make standardizing rebate calculations across contracts difficult, preventing the VR Tracking System from performing automatic calculations. Instead, buyers must manually review contract terms and invoice-level details to determine what the rebate payment should be.

In addition to variability, other challenges complicate tracking and reconciliation:

- **Net Sales Requirement:** Rebates must be calculated based on net sales (excluding tax, shipping, e-waste fees, etc.), but SAP does not break these amounts out. Buyers must manually review invoices to calculate net sales.

- **Lack of Identifying Information on Rebate Checks:** Vendors often send checks without indicating which contract, time period, or sales amount the payment applies to, especially when one check covers multiple contracts. This makes it difficult for staff to match payments to obligations and can result in incorrect allocations or missed follow-ups.

Together, these challenges—contract variability, lack of net sales detail, and insufficient payment information from vendors—make it difficult for staff to accurately calculate, track, and reconcile rebate payments. Since the District does not have an automated process to manage this complexity, and buyers are not consistently performing manual calculations, the District must rely solely on vendor-reported payments. Without independent verification or clear allocation of those payments, there is an increased risk of underpayment, misallocation, and missed collections.

Effect

As a result of outdated procedures, unclear responsibilities, and limited system functionality, rebate collection practices are fragmented, inconsistently applied, and not actively enforced across procurement groups. Some groups rely on spreadsheets or passive vendor reporting, while others use the VR Tracking System without a standardized process for follow-up or reconciliation.

Key controls are missing: contracts are not always tracked, vendors are not consistently reminded when payments are due, and payments received are not always verified, correctly allocated, or deposited. The absence of clear submission instructions in contract language has led to misdirected checks and delays. Manual tracking methods and a lack of payment details have contributed to reconciliation challenges and incomplete records.

These breakdowns have resulted in significant financial risk. Out of 31 contracts tested, 14 had underpaid or unpaid rebate balances totaling an estimated $615,772, based on payment data adjusted


Case Example: Missing $51,932 Rebate Check

During our audit, we discovered that a rebate check for **$51,932** had been issued by a vendor under a textbook contract but was **never deposited or recorded** by the District. District staff were unaware of the payment until we inquired about it. The check was only reissued after our intervention. This case illustrates a critical breakdown in the rebate collection and verification process, underscoring the need for centralized tracking and accountability.

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for non-rebate-eligible charges such as sales tax. For those 14 contracts, this represented approximately 30% of the total expected rebate value. In at least one case, a significant rebate payment went unrecorded and undeposited until identified during the audit. Without updated procedures, clearer roles, and system-supported monitoring, the District cannot ensure that rebate obligations are fully collected or transparently reported.

Figure 7 summarizes the overall extent of rebate underpayment issues identified during our review.

Figure 7. Overall Underpayment in Rebate Contracts
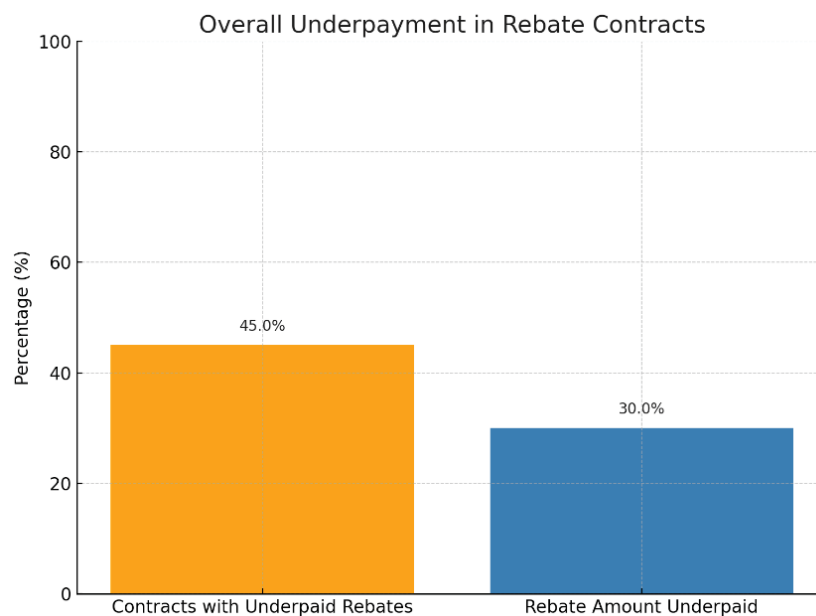
Of the 31 contracts tested, 14 (45%) had underpaid rebates. More significantly, an estimated 30% of the total expected rebate amount (over $615,772) --based on payment data adjusted for non-rebate-eligible charges--was not collected, highlighting both the frequency and financial impact of the District's current rebate tracking and enforcement gaps.

Finding No. 2 – Incomplete Tracking of Rebate-Eligible Purchases

Criteria

The criteria for ensuring all rebate-eligible sales and contracts are properly tracked include:

- **Complete Contract Identification**: All rebate contracts should be flagged in SAP/Ariba to ensure accurate tracking.

- **Purchase Order Tagging**: Purchases that qualify for volume rebates should be linked to the appropriate contracts to ensure rebate calculations include all eligible transactions.

- **Data Accuracy and Consistency**: Contract and purchase data should be accurately and consistently recorded across SAP, Ariba, and the rebate tracking system to support reliable rebate calculation, allocation, and reporting.

Condition

Untracked Purchases Subject to Rebates

Not all sales subject to volume rebates are included in tracking efforts. Many vendor payments are not tagged to specific contracts in SAP, making it difficult to determine whether rebates were owed or were paid for these purchases. To determine the extent of the issue, we reviewed a sample of payments and purchase orders and found a significant number of untracked rebate-eligible transactions.

- We reviewed a sample of 108 payments totaling $8.6 million made to the vendors in our audit sample of 31 rebate contracts. These payments were not tagged to any contract in SAP. Upon reviewing the invoices and confirming with PSD staff, we determined that 33 payments (31%) totaling $7 million were associated with rebate contracts in our sample. Because these payments were not linked to the appropriate contracts in SAP, they were not included in the District's rebate tracking efforts.

- The rebate on those purchases could amount to $70,000, assuming a 1% rebate rate. However, due to the lack of contract tagging and centralized documentation, it is unclear whether the District collected these rebates.

- Since these results were based on a sample, the total value of untracked rebate-eligible purchases Districtwide may be significantly higher.

This gap highlights the risk of rebate revenue being overlooked or uncollected and underscores the need for improved tracking, documentation, and reconciliation processes to ensure all eligible payments are reviewed for rebate recovery. Figure 8 illustrates the proportion of rebate-eligible payments identified in our sample of untagged transactions.

Figure 8. Rebate-Eligible vs. Other Payments in Sample of 108 Untagged Transactions

Rebate-Eligible vs. Other Payments in Sample of 108 Untagged Transactions

Payments Linked to Rebate Contracts (33)
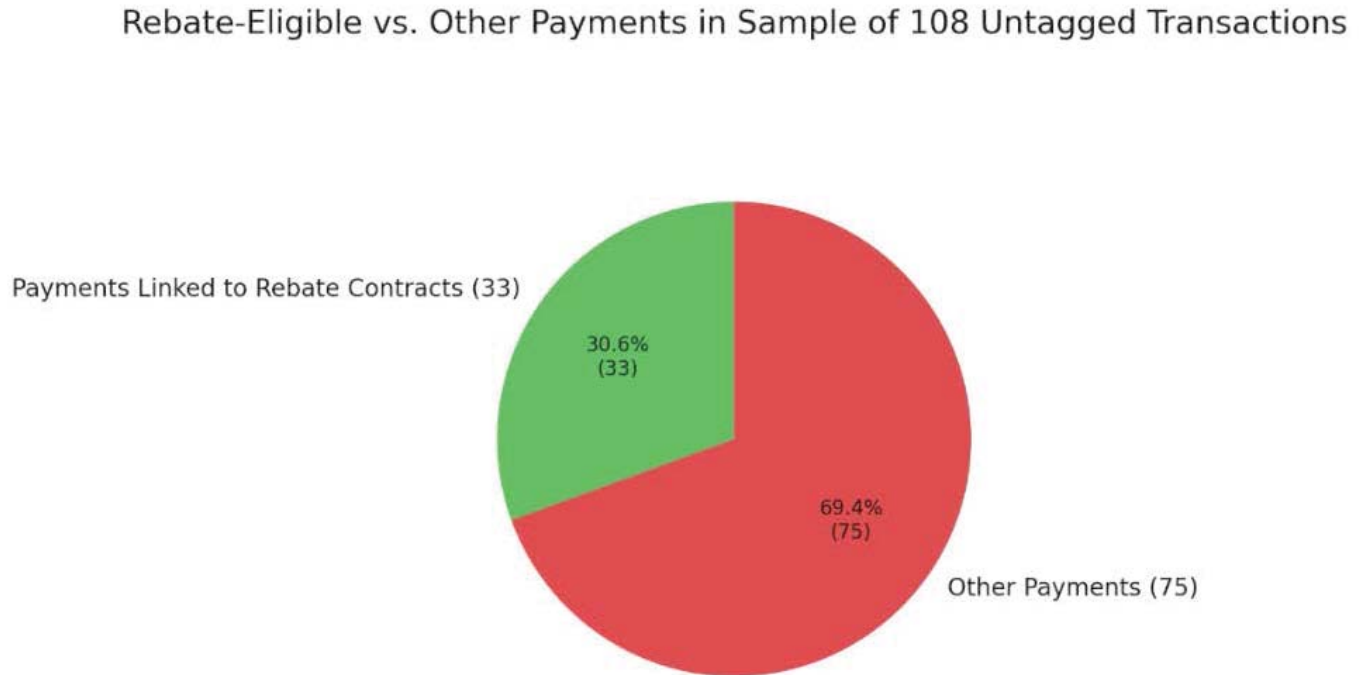
30.6%
(33)

69.4%
(75)

Other Payments (75)

Figure 8 highlights the portion of untagged vendor payments that were later confirmed to be rebate-eligible. Of the 108 payments reviewed, approximately 31% were linked to contracts with rebate provisions, indicating a substantial number of missed opportunities for rebate recovery due to lack of contract tagging in SAP.

Rebate Contracts Not Flagged in SAP or Ariba

Another issue is that not all rebate contracts are identified in SAP or Ariba, making it difficult to ensure that all rebate contracts are properly tracked and rebates are collected. Although SAP has a designated field to identify rebate contracts, it was not consistently used.

- According to SAP, there were 289 contracts identified as rebate contracts for which the District made payments in fiscal years (FY) 2022–23 and 2023–24.

- Our review of contracts not flagged as rebate contracts in SAP found an additional 73 rebate contracts.

- Of the 362 rebate contracts (totaling approximately $1.1 billion, as of 7/15/2024) we identified, 73 contracts (20%) totaling about $326 million were not flagged as rebate contracts in SAP. This suggests that at least 20% of rebate contracts may not have been properly identified in the system, and the actual percentage could be higher.

- In our audit sample of 31 rebate contracts, 10 contracts (32%) were not flagged as rebate contracts in SAP, even though they contained rebate provisions.

> ⚠️**Risk of Missed Tracking**
>
> 73 rebate contracts, totaling approximately $326 million, were not flagged as rebate contracts in SAP. These contracts were likely excluded from rebate tracking, increasing the risk of missed or uncollected rebate payments.

Figure 9 illustrates the portion of rebate contracts not flagged in SAP during this period. Figure 10 shows similar issues within our audit sample.

Figure 9. Rebate Contracts Identified vs. Not Identified in SAP

Rebate Contracts Identified vs. Not Identified in SAP (FY 2022–24)

Not Identified in SAP (73)

20.2%
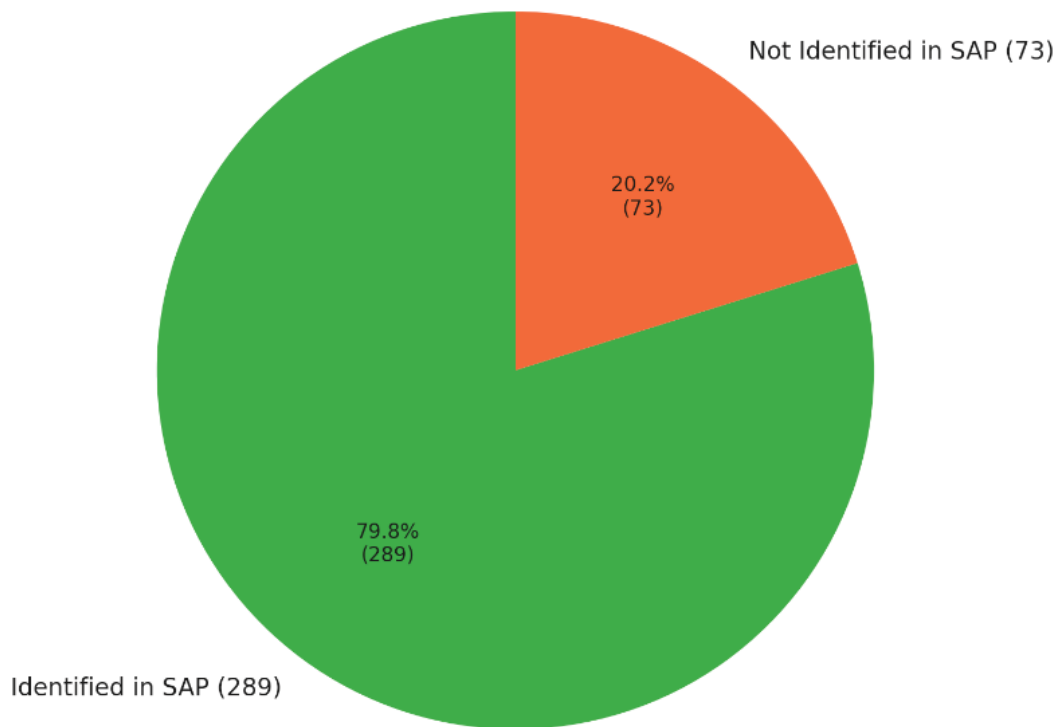(73)

79.8%
(289)

Identified in SAP (289)

Figure 9 shows that in SAP, 20% of rebate contracts paid during the two fiscal years 2022–2023 and 2023-2024 were not identified as such. The lack of proper tagging increases the risk of missed or incomplete rebate collections.

Figure 10. Rebate Contracts in Audit Sample Flagged vs. Not Flagged in SAP

Rebate Contracts in Audit Sample
Flagged vs. Not Flagged in SAP

Not Flagged in SAP (10)
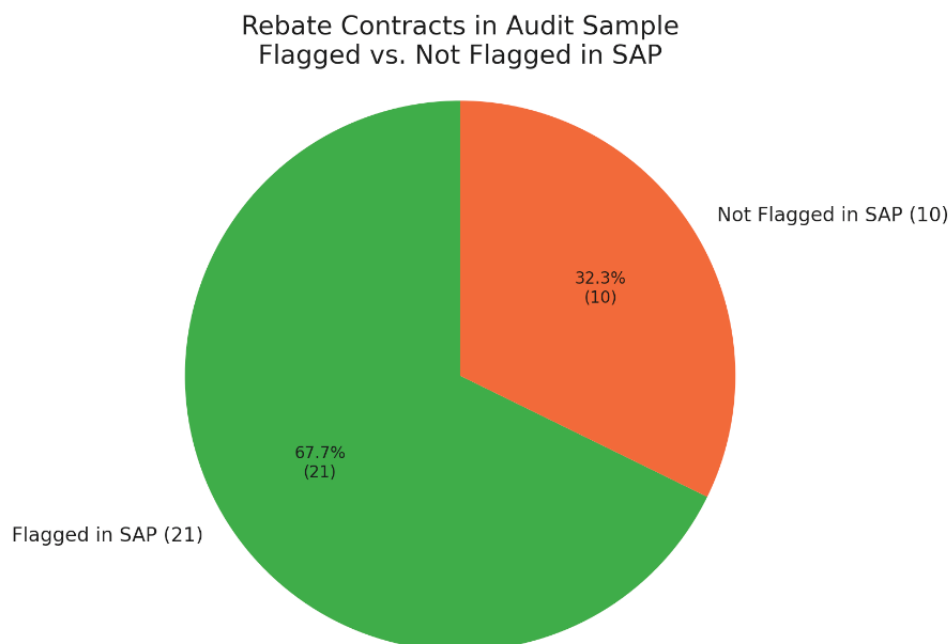
32.3%
(10)

67.7%
(21)

Flagged in SAP (21)

Figure 10 displays the results from our audit sample of 31 rebate contracts. Of these, 10 contracts (32%) were not flagged as rebate contracts in SAP despite containing rebate provisions. This reinforces the need for consistent tagging practices to ensure accurate tracking and monitoring of rebate obligations.

Cause

- Some purchase orders are issued by school sites and local offices rather than PSD buyers. These staff members are often unaware of the contract numbers associated with the items they purchase, which leads to purchase orders not being linked to rebate-eligible contracts in SAP.

- PSD buyers are responsible for flagging rebate contracts when inputting contract information into SAP. However, this step was not performed consistently, leading to incomplete identification of rebate contracts.

- Ariba, PSD's new contract management system launched on July 1, 2024, does not currently include a field to designate a contract as rebate-eligible. Although newly awarded contracts are now entered in Ariba, SAP remains the system used for payment processing. Because Ariba does not pass rebate flagging information to SAP, purchase orders tied to rebate contracts in Ariba are not tagged as rebate-eligible in SAP. As a result, PSD staff must rely on memory or manual processes to identify which Ariba contracts processed in SAP qualify for rebates, creating a significant risk of omission.

Effect

Because rebate contracts and qualifying purchases are not always properly tagged or tracked, the District cannot be sure it is collecting all the rebate revenue it is owed. This makes monitoring payments, reconciling records, and following up with vendors harder. As a result, some rebates may be missed entirely, leading to lost revenue for the District.

> ⚠️ **Illustrative Risk: Untracked Rebate Revenue**
>
> The $7 million in rebate-eligible purchases found in our sample may have resulted in up to $70,000 in uncollected rebates, assuming a 1% rebate rate. It is unknown whether these rebates were received. This example illustrates the financial impact of insufficient tracking controls and the need for follow-up and reconciliation.

RECOMMENDATIONS AND MANAGEMENT RESPONSES

Recommendations

1. System Enhancements and Integration

To strengthen rebate oversight and reduce reliance on manual processes, PSD should work toward developing a more robust and comprehensive rebate tracking system. Ideally, this system would include features such as:

1.1. Key Capabilities for a Future Rebate Tracking and Management System

- Automated upload of purchase and payment data from SAP into the rebate tracking system to reduce manual input and minimize missed transactions.

- Key contract terms (e.g., rebate rate, threshold, basis) stored within the system to support accurate calculation and tracking.

- Templated reminder emails triggered by payment schedules.

- Exception reporting and real-time dashboards for improved oversight and visibility.

1.2. Automated Reconciliation and Matching Processes

- Develop automated features that help identify rebate-eligible purchases by matching contract numbers, vendor IDs, or product codes to rebate contract terms.

- Integration with SAP, Ariba, and the rebate tracking system.

- Flagging of unmatched or potentially rebate-eligible purchases for review.

- Summary reports for Procurement and Finance with contract numbers, payment periods, and allocation details when checks cover multiple contracts.

1.3. Improved Contract Identification and System Alignment

- Finalization and implementation of a designated rebate contract field in Ariba, as initiated by PSD and ITS.

- Alignment of rebate flag fields between Ariba and SAP to support integrated reporting and tracking.

- Standardized protocols for applying rebate flags across both systems to enhance accuracy and reliability.

2. Policies, Governance, and Standardization

2.1. Establish a Districtwide Framework for Rebate Tracking and Collection

- Develop formal policies and procedures that define roles, responsibilities, and standardized practices across all procurement teams.

- Mandate the use of a centralized rebate tracking system to ensure consistency, accountability, and transparency.

2.2. Standardize Rebate Terms in Contracts

- Revise standard contract templates to include a default quarterly rebate payment schedule, due within a defined timeframe (e.g., 30 days after quarter-end).

- Apply consistent language across contracts regarding payment terms and required identifying details.

2.3. Require Detailed Documentation from Vendors on Rebate Payments

- Require vendors to issue separate rebate checks per contract when feasible.

- If submitting combined payments, vendors must clearly break down the payments by contract number, payment period, and amount per contract.

- PSD staff should follow up to obtain missing allocation details before recording rebate revenue.

3. Operational Controls and Process Improvements

3.1. Strengthen Rebate Calculation and Verification Controls

- Develop standardized templates and guidance for rebate calculations, especially for complex contracts.

- Assign accounting or audit staff to verify rebate amounts against contract terms and underlying purchases before closing out transactions in the rebate tracking system.

- Require buyers to submit supporting documentation to facilitate this verification process.

3.2. Improve Purchase Order Tagging by PSD Buyers

- Reinforce the requirement that PSD buyers enter the appropriate contract numbers when initiating purchase orders.

- Implement system tools (e.g., dropdown menus or contract look-up features) to assist buyers in selecting the correct contract and ensuring accuracy.

3.3. Perform Regular Reconciliations Across Systems

- Conduct periodic reconciliations between SAP, Ariba, and the rebate tracking system to identify unflagged or missing rebate contracts and capture all qualifying purchases.

4. Monitoring, Enforcement, and Recovery

4.1. Establish Proactive Collection and Escalation Procedure

- Assign dedicated staff to monitor rebate payment due dates and follow up on late payments.

- Implement reminder and enforcement workflows, including the option to apply interest charges or penalties when appropriate.

- Require PSD buyers to verify rebate amounts and documentation before payments are logged in the tracking system.

4.2. Conduct Ongoing Monitoring and Performance Reviews

- Perform monthly or quarterly reconciliations to compare expected versus received rebate amounts and identify discrepancies.

- Review all active rebate contracts and qualifying purchases periodically to assess completeness and accuracy.

- Use performance metrics to evaluate vendor compliance and internal collection efforts.

4.3. Recover Outstanding Rebate Payments

- Review historical contract and payment records to identify underpaid or uncollected rebate amounts, including the $615,772 in underpayments identified in this audit.

- Follow up with vendors to recover outstanding balances.

- Expand the review to include all active rebate contracts to detect additional missed rebate payments.

4.4. Follow Up on Identified Rebate-Eligible Payments Without Tags

- Review the $7 million in rebate-eligible payments identified in the audit sample that were not linked in SAP to the rebate contracts in our sample, and confirm whether the corresponding rebate payments were received.

- If rebates were not collected, initiate recovery efforts and apply lessons learned to prevent recurrence.

- Conduct a broader review of similar untagged transactions to identify additional missed rebate opportunities.

PSD's Response:

PSD agreed to the findings and acknowledged that the lack of standardized procedures for managing rebates has led to inconsistent contract management, calculation methods, and uncertainty about payment timelines.

PSD stated they are committed to revising processes starting July 1, 2025, with the goal of transitioning to a system-managed rebate program by December 2026.

Specifically, PSD will take the following actions in response to the key recommendations:

- **Develop a more robust rebate tracking system:** PSD plans to leverage system automation through Ariba, and potentially other platforms, to establish a reliable system of record that will enhance reporting accuracy and the management of rebate tracking. This implementation plan, as a longer-term strategy, is to be developed by December 2026.

- **System Automation & Integration:** PSD will develop an automated tracking system (targeted by December 2026) integrated with SAP and Ariba to improve data uploads, tracking, and reminders.

- **Reconciliation Automation:** PSD will automate reconciliation processes, but until system upgrades are complete, will enhance manual tracking of rebate-eligible purchases.

- **Standardize Policies & Contract Language:** PSD will amend all existing rebate contracts to include expectations for a payment schedule and remittance using an electronic funds transfer by June 2026.

- **Operational Controls:** PSD will create a process to standardize the collection for future rebates starting July 1, 2025.

- **Collection & Enforcement Procedures:** Starting July 1, 2025, a designated staff member in PSD will manage rebate tracking and a new accounting structure will be established by Accounts Receivable to support monitoring and validation of rebate funds received.

- **Recovery of Missed Rebates:** PSD will initiate recovery of rebate payments due from the past two (2) years (July 1, 2023–June 30, 2025). PSD will start the outreach in July 2025 with a goal of full accounting by January 2026.

AUDIT TEAM

This audit was performed by the following auditors:

Stella Lai, Audit Manager
Shelly Guo, Principal Auditor
Vilma Baquir, Senior Auditor

Exhibit A – Response from Procurement Services Division

INTER-OFFICE CORRESPONDENCE
LOS ANGELES UNIFIED SCHOOL DISTRICT

TO: Mark H. Pearson, Assistant Inspector General   **Date: June 18, 2025**
Office of the Inspector General

FROM: Matthew A. Friedman, Chief Procurement Officer
Procurement Services Division

SUBJECT: **RESPONSE TO DRAFT AUDIT REPORT ON THE VOLUME REBATE PROGRAM AUDIT**

The Procurement Services Division (PSD) appreciates the constructive feedback about insufficient and ineffective processes in the report and agrees to implement many of the recommendations presented to enhance operational efficiency and controls around the rebate program.

Please find our responses and estimated timelines for implementing action items to address the key findings:

Finding 1. Deficiencies in Rebate Tracking, Collection, and Enforcement Controls

Finding 2. Incomplete Tracking of Rebate-Eligible Purchases

PSD agrees to both findings and acknowledges that the lack of standardized procedures for managing rebates leads to inconsistent contract management, calculation methods and uncertainty about payment timelines.

Beginning July 1, 2025, PSD is implementing a revised and restructured approach to accounting for and collecting rebates with processes for collection methods that are more accurate and predictable. This approach will be managed by Procurement staff with reporting structure around the management and oversight of rebates with the intent to move towards a system managed rebate program by December of 2026.

Key Recommendation (1) Developing a more robust tracking system that automates data uploads from SAP, stores contract terms, supports reminder remails and dashboards, and integrates with Ariba.

Response (1) PSD agrees as a longer term strategy to be developed by December 2026. PSD is seeking the opportunity to employ system automation through Ariba and potentially other platforms to use it as a system of record to improve reporting accuracy and automate the management of rebate tracking.

Key Recommendation (2) Improving system integration and tagging, including completing the implementation of a rebate contract flag in Ariba and aligning it with SAP for consistent tracking."

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Response (2) PSD agrees to the recommendation to improve system integration and to develop or utilize existing system capabilities in Ariba. As an immediate action, inquiries have been initiated to SAP for support of identifying capabilities of its system features that would be a viable support tool. As an interim solution, PSD is implementing new processes aligned with managing and monitoring rebate eligible purchases.

Key Recommendation (3) Automating reconciliation processes to help identify rebate-eligible purchases and flag unmatched transactions for follow-up.

Response (3) PSD agrees to the recommendation for automation with reconciling purchase activity to identify rebate eligible expenses. Until technical capabilities can be developed in Ariba, there will be a renewed focus to create and identify rebate eligible agreements on purchase order transactions and for vendors to verify and validate their calculation methods upon remittance.

Key Recommendation (4) Standardizing policies and contract language across procurement teams, including default rebate payment schedules and vendor documentation requirements.

Response (4) PSD agrees to standardize policies and contract language. Existing contracts will be amended to include expectations for a payment schedule and remittance using an electronic funds transfer, creating consistency and predictability with alignment to scheduled quarterly and annual dates. We anticipate amendments to all rebate eligible contracts no later than June of 2026.

Key Recommendation (5) Improving operational controls by requiring better purchase order tagging, verifying rebate payments against contract terms, and performing regular reconciliations across systems.

Response (5): PSD agrees to create a process to standardize the collection for future rebates beginning July 1st 2025.

Key Recommendation (6) Strengthening collection and enforcement procedures, including assigning staff to monitor payments, issuing timely reminders, and applying escalation protocols when vendors fail to pay on time.

Response (6): PSD agrees to assign team members in PSD to conduct validation and verification to result in an immediate improvement to accountability. As of July 1st 2025 we will have an assigned team member responsible for management and tracking of the rebate program. Additionally, the accounts receivable team is preparing to establish an accounting structure for the sole use of rebate checks to support monitoring and validation of funds received.

Key Recommendation (7) Recovering missed rebates identified in this audit, totaling approximately $680,000. That amount includes $615,772 in underpayments identified through the limited contract testing, as well as the additional uncollected rebate payments

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related to the $7 million in vendor payments that were made against rebate contracts in our sample but were not identified as such in SAP--and therefore were excluded from PSD's tracking and collection efforts.

Response (7) PSD agrees to initiate recovery of rebate payments due from the past two (2) years (from July 1, 2023-June 30, 2025). Outreach will start July 2025 and will continue as needed with a goal set for full accounting from the past two (2) years by January of 2026.

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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 <u>protected by law</u> 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 ensure the reporting of any activity that threatens the efficient administration of the LAUSD reports that disclose improper governmental activities shall be kept confidential.

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