

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
JUNE 30, 2020**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
June 30, 2020**

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Independent Auditor's Report

The Honorable Board of Education and
School Construction Bond Citizens' Oversight Committee
Los Angeles Unified School District

We have conducted a performance audit of the Los Angeles Unified School District's (the District),
Measure Q School Bond Construction Program for the year ended June 30, 2020.

We conducted this performance audit in accordance with *Government Auditing Standards*, 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure Q General Obligation Bonds and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure Q School Bond Construction Program funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Los Angeles, California
June 3, 2021

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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LEGISLATIVE HISTORY
June 30, 2020**

On November 7, 2000, California voters approved Proposition 39, the *Smaller Classes, Safer Schools and Financial Accountability Act*. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, “for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities”, upon approval by 55% of the electorate. Additional accountability measures, as stipulated in Education Code Section 15278 – 15282, and 15286, are as follows:

1. A requirement that the school district establish and appoint members to an independent citizens’ oversight committee.
2. A requirement that the proceeds from the sale of the bonds be used only for the purposes described in Article XIII A, Section 1(b)(3)(A) of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement that the school district list the specific school facilities projects to be funded and certification that the school district board has evaluated safety, class size reduction, and information technology needs in developing that list.
4. A requirement that the school district conduct an annual independent performance audit, in accordance with Government Auditing Standards issued by the Comptroller General of the United States, required by Article XIII A, Section 1(b)(3)(C) of the California Constitution, ensuring that the funds have been expended only on the specific projects listed.
5. A requirement that the school district conduct an annual independent financial audit, in accordance with Government Auditing Standards issued by the Comptroller General of the United States, required by Article XIII A, Section 1(b)(3)(D) of the California Constitution, of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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MEASURE Q GENERAL OBLIGATION BONDS
June 30, 2020**

The Measure Q School Bond Construction Program (Measure Q) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2008" approved by the voters under California Proposition 39, known as the *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39), is intended to provide the Los Angeles Unified School District (the District) funding to continue the repair and modernization of existing schools, replace bungalows with permanent classrooms, abate asbestos hazards, upgrade fire and safety systems, expand early education facilities, and provide sufficient core facilities at hundreds of schools.

The Board of Education (the Board) has established a School Construction Bond Citizens' Oversight Committee (BOC) to ensure that the proceeds of the Measure Q's bond issuances are used for the purposes stated in the Board Resolution (the Resolution), which placed Measure Q on the 2008 ballot.

The proceeds from the Measure Q are to be used for projects such as the following:

- build neighborhood schools;
- bungalow repair and removal;
- upgrade and redesign campuses to create smaller schools;
- install and upgrade fire alarm systems;
- undertake complete asbestos hazard removal program;
- air condition remaining non-air-conditioned buildings;
- perform school alterations and improvements;
- upgrade and reinforce computer networks, school information systems, and technology capability;
- upgrade emergency radio systems;
- build new and repair existing early education centers in neediest areas;
- promote alternative education models like joint use and small learning communities;
- build, plan, and equip charter schools;
- replace all special education buses;
- give low performing schools added resources to improve results;
- audit and oversight of bond projects; and
- open new schools with sufficient number of library books.

All projects to be funded under Measure Q must be included in the Strategic Execution Plans (SEPs) approved by the Board. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for Measure Q. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for school operating expenses.

The Measure Q initiative authorized the issuance of \$7.0 billion in bonds. \$2.594 billion has since been issued between February 2016 and June 2020. The bonds are included in the audited financial statements of the District.

The District tracks the financial activities related to Measure Q in the District Bonds Fund. The District Bonds Fund are comprised of multiple funds in the District's Audited Annual Financial Report (AAFR).

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2020**

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure Q funds for the year ended June 30, 2020 only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Construction Contracts

Determine that the District procured Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, procured Goods and Supplies Contracts in accordance with the District's Procurement Manual and procured Professional Service Agreements in accordance with the District's Desk-Top Procedures for Facilities Contracts.

3. New Projects

Determine that new project(s) established during the fiscal year were properly reviewed and approved internally in accordance with the department's project approval procedures, were presented to the Bond Oversight Committee and approved by the Board of Education.

The scope, methodology and conclusions of the above objectives are enumerated in pages 5 through 16 of this report.

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OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
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1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2020 only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period of July 1, 2019 to June 30, 2020. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

A total of \$749 million in expenditures were identified for fiscal year ended June 30, 2020, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 566
Services and other operating expenditures	9,500
Capital outlay	<u>665,761</u>
<i>Total non-payroll expenditures</i>	<u>675,827</u>
Payroll Expenditures:	
Classified salaries	42,921
Employee benefits	<u>23,993</u>
<i>Total payroll expenditures</i>	<u>66,914</u>
Other Financing Uses:	
Transfers out	<u>6,246</u>
<i>Total other financing uses</i>	<u>6,246</u>
Total Measure Q Expenditures per AAFR - District Bonds Fund	<u>\$ 748,987</u>

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2020 in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2020.

Conclusion

The results of our test indicated that all Measure Q expenditure balances reconciled to the District Bonds Fund reported in the AAFR.

b. Procedures Performed

We selected a total of 398 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$245 million or 36% of the total population of non-payroll expenditures.

We obtained the original invoices and other relevant supporting documentation for expenditures sampled to determine compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure Q's approved specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments. We performed the following procedures:

- i. Determined that the sampled project expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were consistent with the work scope of Measure Q's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Determined that the sampled project expenditures were not expended on school operating expenditures.
- iii. Verified that the appropriate District personnel had approved and reviewed all sampled project expenditures before payment was made.
- iv. Verified that corresponding projects or non-project allocations in each of the sampled project expenditures were included in the cumulative and various SEPs and amendments. For invoices which covered multiple projects, up to 5 projects were selected and tested.
- v. For sampled project expenditures representing Facilities Services Division (FSD) related construction payments, we verified construction project payment procedures had been met by testing the following:
 - The Contractor certified the Application for Payment by evidence of a signature.
 - The Owner Authorized Representative (OAR) certified that the services had been rendered by evidence of a signature.
 - The payment package included the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

The results of our tests indicated that sampled non-payroll expenditures were properly expended only for the purposes approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were not expended on school operating expenditures.

Additionally, the non-payroll expenditures were properly approved and reviewed by District personnel, along with construction payments adhering to construction project payment procedures.

c. Procedures Performed

We selected a total of 60 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$6.2 million or 9% of the total population of payroll expenditures. We performed the following procedures:

- i. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were consistent with the work scope of Measure Q's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure Q was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.
- iii. Verified that the District maintained adequate time and effort reporting controls and procedures for regular review of appropriate charges to Measure Q by testing the following:
 - Sampled employees working under FSD or Information Technology Division (ITD), who were Measure Q funded classified employees, and tracked time in Colin, Maximo, Project Accounting Timetables Management (PATs), or custom forms on an internal order or project basis, or
 - Sampled employees Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.1 dated July 1, 2016, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure Q, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure Q were based on actual time spent on Measure Q related activities.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

The results of our tests indicated that the sampled payroll expenditures were properly expended only for the purposes approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were not expended on teacher or school administrative activities.

We identified three employees, for a total of three forms, whose Certifications were signed and submitted untimely. Refer to finding **MQ-2020-001** in the Schedule of Findings and Responses for further details.

We have identified five instances of non-compliance with Procedure (c)(iii) and four instances of non-compliance with Procedure (c)(iv). Refer to finding **MQ-2020-002**.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

d. Procedures Performed

We selected a total of 6 Transfers Out (sampled transfers) and performed the following procedures:

- i. Determined that the sampled non-payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were consistent with the work scope of Measure Q's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments, and not expended on school operating expenditures.
- ii. For non-payroll project expenditures, we reviewed the supporting documents for the transfers out and determined that the amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing use of Measure Q funds.
- iii. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were consistent with the work scope of Measure Q's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- iv. For employee payroll expenditure, verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure Q was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.

Conclusions

We identified a total of 4 transfers out of the selected 6 sampled transfers represents non-payroll expenditures, and 1 transfer out of the selected 6 sampled transfers represents employee payroll expenditures which originally were charged outside of Measure Q and the District Bonds Fund, and therefore are subject to the above procedures. The remaining 1 sampled transfer represents transfers occurring in-between funds within the District Bonds Fund, and therefore is not subject to the above procedures.

The results of our tests indicated that the sampled payroll expenditures were properly expended only for the purposes approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were not expended on teacher or school administrative activities.

Additionally, the results of our tests indicated that sampled non-payroll expenditures were properly expended only for the purposes approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution, and were not expended on school operating expenditures. Additionally, the amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing use of Measure Q funds.

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2. PROCUREMENT OF CONSTRUCTION CONTRACTS

Objective

Determine that the District procured Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, procured Goods and Supplies Contracts in accordance with the District's Procurement Manual and procured Professional Service Agreements in accordance with the District's Desk-Top Procedures for Facilities Contracts.

Scope

The scope covers Construction Contracts procured during the period of July 1, 2019 to June 30, 2020 in which the original funding strategy source assigned was Measure Q.

Procedures Performed

We selected a total of 6 Construction Contracts to determine the District procured those contracts in accordance with the applicable requirements of the Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts by testing the following for each selected contract:

- i. We verified that the bid was properly advertised by testing the following:
 - Request for Advertising of a Construction Project was submitted by the OAR and approved by authorized District officials.
 - Bid Advertisements were placed in the Los Angeles Daily Journal and bidding information was provided to various trade publications.
 - Bids were advertised for two consecutive weeks.
- ii. We verified that the contract was awarded to a prequalified bidder by testing the following:
 - The prequalified bidder was included in the List of Currently Prequalified Prime/General Contractors for Formal Competitively Bid Projects. Projects that did not require formally pre-qualified bidders were approved by the Acquisition Strategy Board (ASB).
 - The bid date (from the Request for Advertisement) was valid as of the effective date of the List of Currently Prequalified Prime/General Contractors for Formal Competitively Bid Projects.
- iii. We verified that the contract was awarded to the lowest responsive bidder pursuant to Public Contract Code Section 20103.8(b) by reviewing the following:
 - If the Pre-Bid Meeting was mandatory the sign in sheet/attendance sheet showed that the Bidder attended the Pre-Bid Meeting.
 - The required bid forms were submitted by the bidder along with their sealed bid (Bid and Acceptance Form, Bid Security Form, Certification Requirement, and Non-Collusion Affidavit).
 - At least 3 bidders responded to the advertisement (non-mandatory) or were among the attendees of the mandatory pre-bid meeting.
 - The contract was awarded to the lowest bidder as stated on the Tabulation of Bids Received by Facilities Construction Contracts. Lowest bid price is the lowest base bid without consideration of the prices on the additive or deductive bid items.

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2. PROCUREMENT OF CONSTRUCTION CONTRACTS *(continued)*

Procedures Performed *(continued)*

- iv. We verified that the award of the contract was properly executed.
 - The Contract Administrator (CA) prepared the Recommendation to Award (RTA) and signed-off that all bidding requirements were met and that the identified bidder was the lowest responsive and responsible bidder.
 - Facilities Construction Contracts (FCC) forwarded the RTA (Exhibit L) to Facilities Procurement and Payment Services (FPPS) for funding verification and approval. The RTA under a Master Contract did not show the specific amount of the contract but rather the pre-encumbered minimum guaranteed amount. This form showed the range (minimum to maximum) amount of the contract.
 - RTA was signed by the CA, the Director/Deputy Director (Delegated/Authorized signatories) and a copy was given to the OAR and/or Project Manager.
 - Notice of Intent to Award (NOIA) was transmitted to the Contractor with remaining requirements before the contract was awarded.
 - Within 10 days of receipt of NOIA, the awarded contractor picked-up the NOIA package, plans, and specification, including any addenda; enrolled in OCIP; and submitted the package to the FCC: (1) one executed original of the payment bond (2) one executed original of the performance bond (3) confirmation that bidder submitted the required paperwork to enroll in the Owner Controlled Insurance Program (OCIP). Certain contracts do not require OCIP and Advertisement because of the nature of the service rendered, such as "Emergency Asbestos Removal". In these cases, the contractor was required to provide a copy of their own insurance coverage.
- v. We verified that the contract award was properly authorized and approved by the Board.
- vi. We verified that the extract of Public Works Contract (PWC) Award was forwarded to the California Department of Industrial Relations - Division of Apprenticeship Standards.

We selected 4 Goods and Supplies Contracts to determine the District procured the contracts in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contracts:

- i. We verified that a contract was established with required approvals.
- ii. We verified that a Fully Funded Shopping Cart was established, with the exception of Invitation for Bid (IFB) Contracts.
- iii. We verified that a Request for Procurement Action (RFPA) was established with required approvals.
- iv. We verified that a Formal Invitation for Bid was established, and a formal competition was conducted.
- v. We verified that the supporting documentation was included in the Informative for Board Review, such as the background on the suggested award along with details of usage and funding.
- vi. We verified that the contract award was properly authorized and approved by the Board.
- vii. For contracts established via Single/Sole Source, we verified the existence of a justification form with proof of approval by the designated officials.

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2. PROCUREMENT OF CONSTRUCTION CONTRACTS *(continued)*

Procedures Performed *(continued)*

We selected 6 Professional Services Agreements to determine the District procured the contracts in accordance with the applicable requirements of the District's Desk-Top Procedures for Facilities Contracts by testing the following for the selected agreements:

- i. We verified that the selected firm was approved by the board before performance was conducted, or that project-specific contract actions delegated by the Board were properly reported.
- ii. We verified a Request for Proposal (RFP) or Request for Qualifications (RFQ) was established.
- iii. If the Pre-Bid Meeting was mandatory the sign in sheet/attendance sheet showed that the firm attended the Pre-Bid Meeting.
- iv. We verified the Evaluation Panel Members signed the Non-Disclosure Form.
- v. We verified that the Scoring and Ranking Forms were completed.
- vi. We verified, for agreements valued at \$500,000 or higher, that a Dunn and Bradstreet report was completed.
- vii. We verified, for agreements valued at \$5,000,000 or higher, that a Due Diligence Background Check was completed.
- viii. We verified that the Recommendation to Award (RTA) was signed by Panel Members and the Director of Facilities Contracts. For design service contracts, we verified a Ratification Memo was issued.
- ix. We verified the firm completed conflict of interest and ethics rules of conduct forms.

Conclusions

The results of our tests indicated that the District procured the selected Construction Contracts in accordance with the applicable requirements of the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, selected Goods and Supplies Contracts in accordance with the District's Procurement Manual and selected Professional Service Agreements in accordance with the District's Desk-Top Procedures for Facilities Contracts.

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3. NEW PROJECTS

Objective

Determine that new project(s) established during the fiscal year were properly reviewed and approved internally in accordance with the department's project approval procedures, were presented to the Bond Oversight Committee and approved by the Board of Education.

Scope

The scope covers new projects established during the period of July 1, 2019 to June 30, 2020 in which the original funding strategy source assigned was Measure Q.

a. Procedures Performed

We selected a total of 10 Facilities Services Division (FSD) projects and verified the following for each project:

- i. The project scope and budget presented was presented and adopted by the Acquisition Strategy Board (ASB) by unanimous approval. The Office of the General Council (OGC) participate in the ASB meetings as non-voting participants and provides approvals regarding bond eligibility of projects before they are approved by the ASB.
- ii. The project definition and budget was presented to the Bond Oversight Committee (BOC). The BOC issued a Resolution to the Board of Education (Board) either adopting or not adopting the proposed project.
- iii. The District prepared and presented to the BOE a BOE Report addressing the action proposed which includes information such as the background of the project, expected outcomes, board options and consequences, policy implications, budget and student impact, issues and analysis along with applicable attachments which includes the BOC Resolution. The BOE Report is approved by the Chief Facilities Executive of FSD and reviewed by General Counsel, by evidence of signatures.
- iv. The BOE adopted the proposed project.

Conclusion

New FSD project(s) established during the fiscal year were properly reviewed and approved internally in accordance with the department's project approval procedures, were presented to the BOC and approved by the Board.

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3. NEW PROJECTS *(continued)*

b. Procedures Performed

We selected a total of 2 Information Technology Division (ITD) projects and verified the following for each project:

- i. The project scope and budget presented in the Project Justification Template or Business Case Report was adopted by the ITD Project Approval Board by evidence of an ITD Project Approval Board Decision Report with proper sign-offs.
- ii. Projects seeking bond funding obtained OGC Review and Approval for the determination of bond funding eligibility.
- iii. Projects determined to be eligible for the use of bond funds by the OGC underwent a review by the CFO Bond Compliance Unit (BCU). BCU reviewed the elements of the project's budget for eligibility of the use of bond funds and provided their final approval in the form of email communication.
- iv. Projects deemed high impact, high risk, or seeking bond funds were sent to the Enterprise Project Management Office (EPMO) for further review. The EPMO presented the project to the Executive Governance Committee (EGC) for approval. The EPMO communicated the approval of the project by the EGC to the Board by means of a Board Informative.
- v. The EPMO prepared a Project Charter Sign-Offs document which included information regarding project overview, approach, scope, schedule, costs, resources, communications, risks, stakeholders and benefits with proper sign-offs.
- vi. The project definition and budget was presented to the Bond Oversight Committee (BOC). The BOC issued a Resolution to the Board of Education (Board) either adopting or not adopting the proposed project.
- vii. The District prepared and presented to the BOE a BOE Report addressing the action proposed which includes information such as the background of the project, expected outcomes, board options and consequences, policy implications, budget and student impact, issues and analysis along with applicable attachments which includes the BOC Resolution. The BOE Report is approved by the Interim Chief Information Officer and reviewed by General Counsel, by evidence of signatures.
- viii. The BOE adopted the proposed project.

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3. NEW PROJECTS *(continued)*

Conclusion

Enterprise Help Desk Project

The EPMO was established towards the end of 2019, which occurred subsequent to the Board approval of the Enterprise Help Desk project. As such, there is no EGC approval for this project {Procedure (b)(iv)}.

The EPMO has since included this project under its review and has established reliance on the Board's approval in lieu of the EGC approval.

Additionally, the process by which the OGC will coordinate directly with ITD regarding the approval of ITD projects' use of bond funds was established subsequent to the Board approval of the Enterprise Help Desk project. The District controls at that time was to rely on the review and approval of General Counsel which is evidenced by a sign-off on the BOE Report {Procedure (b)(vii)}.

The remaining review procedures, not referenced above, were properly followed and documented by the District.

Distance Learning Project

The Distance Learning Project was authorized under the authority of the District's Superintendent as a result of the Board's Emergency Declaration. On March 10, 2020, the Board adopted Report Number 308-19/20, *Adoption of Authorization to Take Any and All Necessary Actions to Prepare and Respond Effectively to the Novel Coronavirus (COVID-19) Resolution Declaring Emergency Conditions Exist at Los Angeles Unified Schools and Offices (District)*, establishing the following:

Authorize the Superintendent and/or his designee to take any and all actions necessary to ensure the continuation of public education, and the health and safety of the students and staff at the District Sites, including, but not limited to: the relocation of students and staff, continued daily student transportation, provision of alternative educational program options, provision of leave of absence to employees with pay due to quarantine or recently returning from level 3 countries or sick from COVID-19 or illnesses with similar symptoms (cough, fever, shortness of breath) or cohabitants of any individuals without any impact to their benefit time pursuant to Education Code sections 44964 and 45199, directing staff to serve as disaster service workers pursuant to Government Code 3100, and/or make alterations, repairs or improvements to school property.

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3. NEW PROJECTS *(continued)*

Conclusion *(continued)*

As such, the Distance Learning Project was authorized without undergoing the review procedures identified in Procedure (b)(i)(iv) and (v). The EPMO has since included this project under its review and is currently working on preparing the Final Project Charter along with sign-offs for the project, and will continue to monitor this project.

Additionally, the BCU deferred its approval over the budget review and use of bond funds {Procedure (b)(iii)} to the OGC on the grounds that the project scope is specific to the purchase and delivery of devices to students. As such, the BCU believed OGC review and approval was sufficient for ITD to move forward with the project.

The remaining review procedures, not referenced above, were properly followed and documented by the District.

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MQ-2020-001 – Semi-Annual Certification Form of Bond-Funded Work

Criteria

In accordance with the District's Policy Bulletin 6521.1, Documentation for Bond-Funded Employees, all employees whose positions are partially or fully funded from bond programs are required to submit documentation that certified that activities performed were in support of bond-funded projects.

The required documentation is the Semi-Annual Certification Form of Bond-Funded Work (Certification). The Certification must be signed and dated by the employee and by a supervisor having first-hand knowledge of the activities performed by the employee.

Employees working under FSD or ITD, who were Measure Q funded classified employees, reporting time in Colin, Maximo, PATS, or custom forms on an internal order or project basis are exempt from this requirement.

The first Certification is for the period of July 1 through December 31 and must be completed and submitted to the CFO's Bond Compliance Unit no later than January 31 with the second Certification period of January 1 through June 30 due no later than September 8.

Condition

In conjunction with Objective 1, Procedure (c)(iii), out of the 60 employees sampled we identified three employees, for a total of three forms, whose Certifications were signed and submitted untimely:

- One employee's Certification covering the period of July 1, 2019 through December 31, 2019, was signed by the employee on February 20, 2020 and signed by the employee's supervisor on February 21, 2020.
- One employee's Certification covering the period of January 1, 2020 through June 30, 2020 was signed by the employee on September 11, 2020 and signed by the employee's supervisor on September 11, 2020.
- One employee's Certification covering the period of July 1, 2019 through December 31, 2019, was signed by the employee on February 28, 2020 and signed by the employee's supervisor on February 28, 2020.

Cause and Effect

The untimely Certifications appear to be incidents in which the responsible department did not follow the District's policies and procedures. Departments who do not submit Certifications timely on behalf of employees who have performed Bond-Funded work restricts the CFO's Bond Compliance Unit from properly monitoring payroll expenditures charged to the Bond Funds.

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MQ-2020-001 – Semi-Annual Certification Form of Bond-Funded Work *(continued)*

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the required procedures and further improve on the process of monitoring compliance with those procedures.

Views of Responsible Officials and Planned Corrective Actions

As part of the issuance of BUL-6521.1, the Bond Compliance Unit will be meeting with relevant departments to provide guidance on documentation requirements and emphasizing the importance of timely completion of the required certifications.

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MQ-2020-002 – Payroll Expenditure Charges

Criteria

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CFO's Bond Compliance Unit. The justification includes the title and duties of the position, the percentage of the position's total personnel costs which will be Bond-Funded, and documentation supporting the stated percentage.

The CFO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

A department whose employee submits a Certification which certifies a percent of regular time spent on Bond-Eligible Projects/Activities of under 100%, and whose time is not tracked on a project basis, must maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities, and was not based on the original budgeted percentage included in the justification submitted to the CFO's Bond Compliance Unit.

FSD, ITD and other department employees who were Measure Q funded classified employees, reporting time in Colin, Maximo, PATS, custom forms on an internal order or project basis, or other department managed time keeping systems, and whose time is charged to an "overhead" or "indirect" code, must maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities, and was not based on the original budgeted percentage included in the justification submitted to the CFO's Bond Compliance Unit.

Payroll expenditures charged to Measure Q should be adjusted at the end of the year to reflect the actual time spent on Measure Q related activities.

Condition

In conjunction with Objective 1, Procedure (c)(iv), out of the 55 employees sampled, we identified the following:

- Five employees were identified as reporting time by charging directly to project codes and to an "overhead" or "indirect" code. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities for the time reported to an "overhead" or "indirect" code.
- Four employees submitted a Certification which certified a percentage of regular time spent on Bond-Eligible Projects/Activities of under 100% and whose time was not tracked on a project basis. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities. The percentage of regular time spent on Bond-Eligible Projects/Activities certified by the employee was consistent with the percentage of the employees total Measure Q payroll charges during the fiscal year.

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MQ-2020-002 – Payroll Expenditure Charges *(continued)*

Cause and Effect

Department's whose employees submit a Certification which certifies a percent of regular time spent on Bond-Eligible Projects/Activities of under 100%, and whose time was not tracked on a project basis, do not appear to have a system in place to properly establish relevant metrics necessary to distinguish "overhead" or "indirect" duties amongst bond and non-bond activities. The inability to distinguish work performed on bond versus non-bond activities can lead to potential overcharges to Measure Q.

Additionally, employees who are tracking their time using a time tracking system such as Colin, Maximo, PATS, custom forms on an internal order or project basis, or other department managed time keeping systems, but are charging their time to a "overhead" or "indirect" code are in essence not tracking their time on a project basis. Such employees are currently exempt from the requirement to prepare and submit a Certification, and departments are not conducting an analysis over these employees to verify that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities.

Recommendation

We recommend the following to the District:

- Extend the Certification requirement to all employees not tracking their time to specific projects, regardless of their use of time tracking systems.
- Establish policies and procedures to provide guidance to departments regarding the analysis of payroll expenditures charged to Measure Q against actual time spent on Measure Q related activities.
- Establish controls in place to properly track an employee's time who has been assigned to work on both bond and non-bond activities.

Views of Responsible Officials and Planned Corrective Actions

BUL-6521.1 Documentation for Bond-Funded Employees is being revised to provide clarification on (i) Who should file Semi-Annual Certifications, (ii) Time Tracking Systems, and (iii) Supporting documentation for Multi-Funded Employees.

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MQ-2019-001 – Semi-Annual Certification Form of Bond-Funded Work

Recommendation

We recommend that the District continue to provide ongoing training to appropriate personnel on the required procedures and further improve on the process of monitoring compliance with those procedures.

Views of Responsible Officials and Planned Corrective Actions

The CFO's Bond Compliance Unit will continue working with the different departments on the reporting requirements of Bond-funded employees and will review the current process in monitoring reporting compliance to identify gaps in the process and implement changes.

In addition, the recent staff addition to the CFO's Bond Compliance Unit will notably assist in this effort of ensuring compliance to the reporting requirements.

Current Status

Partially implemented.

BUL-6521.1 Documentation for Bond-Funded Employees is being revised to provide clarification on (i) Who should file Semi-Annual Certifications, (ii) Time Tracking Systems, and (iii) Supporting documentation for Multi-Funded Employees.

The Bond Compliance Unit has been meeting with relevant departments providing guidance on bond use.

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MQ-2019-002 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

- Extend the Certification requirement to all employees not tracking their time to specific projects, regardless of their use of time tracking systems.
- Establish policies and procedures to provide guidance to departments regarding the analysis of payroll expenditures charged to Measure Q against actual time spent on Measure Q related activities.
- Establish controls in place to properly track an employee's time who has been assigned to work on both bond and non-bond activities.

Views of Responsible Officials and Planned Corrective Actions

The CFO's Bond Compliance Unit concurs with the recommendation.

The CFO's Bond Compliance Unit will review and update BUL-6521.1, Documentation for Bond-Funded Employees.

The CFO's Bond Compliance Unit will continue working with the different departments to ensure compliance with the requirements.

Current Status

Partially implemented.

BUL-6521.1 Documentation for Bond-Funded Employees is being revised to provide clarification on (i) Who should file Semi-Annual Certifications, (ii) Time Tracking Systems, and (iii) Supporting documentation for Multi-Funded Employees.

The Bond Compliance Unit has been meeting with relevant departments providing guidance on bond use.