

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



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

**Table of Contents**

	<b>Page</b>
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure R General Obligation Bonds.....	3
Objectives, Scope, Methodology and Conclusions.....	4
Schedule of Findings and Responses.....	13
Schedule of Prior Year Findings and Responses.....	14



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## 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 R 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 R 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 R 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  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
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  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
MEASURE R GENERAL OBLIGATION BONDS  
June 30, 2020**

---

The Measure R School Bond Construction Program (Measure R) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2004" 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 for continued improvement to schools and to provide an additional 163,233 new seats for children and to build approximately 50 new neighborhood schools.

The Board of Education (the Board) has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Measure R's bond issuances are used for the purposes stated in the Board Resolution (the Resolution), which placed Measure R on the 2004 ballot.

The proceeds from the Measure R School Bonds are to be used for projects such as:

- continue repair/upgrade of aging classrooms, restrooms;
- build neighborhood schools, early education centers;
- improve security systems, fire/earthquake safety;
- purchase library books;
- upgrade computer technology;
- eliminate asbestos and lead paint hazards;
- create small learning communities; and
- construct/upgrade science laboratories and other buildings.

All projects to be funded under Measure R 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 R. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for school operating expenses.

The Measure R initiative authorized the issuance of \$3.87 billion in bonds. \$3.746 billion has since been issued between March 2004 and June 2020. The bonds are included in the audited financial statements of the District.

The District tracks the financial activities related to Measure R 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  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
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 R 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 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 and procured Goods and Supplies Contracts in accordance with the District's Procurement Manual.

The scope, methodology and conclusions of the above objectives are enumerated in pages 5 through 12 of this report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure R 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 R.

A total of \$55.5 million in expenditures were identified for fiscal year ended June 30, 2020, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 97
Services and other operating expenditures	2,915
Capital outlay	<u>21,204</u>
<i>Total non-payroll expenditures</i>	<u>24,216</u>
Payroll Expenditures:	
Classified salaries	523
Employee benefits	<u>224</u>
<i>Total payroll expenditures</i>	<u>747</u>
Other Financing Uses:	
Transfers out	<u>30,588</u>
<i>Total other financing uses</i>	<u>30,588</u>
<b>Total Measure R Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 55,551</u></b>

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**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 R, Fund 210, as of June 30, 2020.

Conclusion

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

b. Procedures Performed

We selected a total of 76 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$7.1 million or 29% 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 R'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 R'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.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**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 7 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$276,547 or 37% 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 R'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 R 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 R by testing the following:
  - Sampled employees working under FSD or Information Technology Division (ITD), who were Measure R 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 R, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure R were based on actual time spent on Measure R related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**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.

The sampled employees maintained adequate time and effort reporting documents by either tracking time in Colin, Maximo, PATS, or custom forms on an internal order or project basis or submitting Semi-Annual Certifications of Bond-Funded Work.

Additionally, for employees whose submitted Certification with a “% of Regular Time Spent on Bond-Eligible Projects/Activities” under 100% or whose time was not tracked on a project basis, the results of our tests indicated that payroll expenditures were based on time associated with actual activities performed on Measure R, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified that payroll expenditures charged to Measure R were based on actual time spent on Measure R related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**1. BOND EXPENDITURES AND RECORDKEEPING** *(continued)*

d. Procedures Performed

We selected a total of 76 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 R'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 R 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 R'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 R 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 1 transfer out of the selected 76 sampled transfers represents employee payroll expenditures which originally were charged outside of Measure R and the District Bonds Fund, and therefore are subject to the above procedures. The remaining 75 sampled transfers 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**2. PROCUREMENT OF CONTRACTS/AGREEMENTS**

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 and procured Goods and Supplies Contracts in accordance with the District's Procurement Manual.

Scope

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

Procedures Performed

We selected 1 Construction Contract to determine the District procured the contract in accordance with the applicable requirements of the Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts by testing the following:

- 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS  
June 30, 2020**

---

**3. PROCUREMENT OF CONSTRUCTION CONTRACTS** *(continued)*

Procedures Performed *(continued)*

We selected 2 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.

Conclusion

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 and the selected Goods and Supplies Contracts in accordance with the District's Procurement Manual.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2020**

---

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2020**

---

**MR-2019-001 – Payroll Expenditure Charges**

**Recommendation**

We recommend the following to the District:

- Establish policies and procedures to provide guidance to departments regarding the analysis of payroll expenditures charged to Measure R against actual time spent on Measure R 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 Certification, (ii) Time Tracking System, and (iii) Supporting documentation for Multi-Funded Employees.

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