

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
JUNE 30, 2021**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
June 30, 2021**

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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 Q School Bond Construction Program for the year ended June 30, 2021.

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
March 17, 2022

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2021**

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 Q
PERFORMANCE AUDIT
MEASURE Q GENERAL OBLIGATION BONDS
June 30, 2021**

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. \$3.651 billion has since been issued between February 2016 and June 2021. 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
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

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, 2021, 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/Agreements

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

3. Survey of Compensation of Managers

Determine that the District was compliant with the Measure Q Resolution requirements regarding the Survey of Compensation of Managers (Survey), as follows:

To ensure that the District employs managers of the Division who are so qualified, and because the required qualifications and responsibilities of the Managers of the Division are unique relative to those of other District classified positions, the Board shall, subject to the merit system provisions of the Education Code, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace and thereby better ensure that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond-funded school construction and modernization program.

The scope, methodology and conclusions of the above objectives are enumerated in pages 5 through 13 of this report.

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SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2021, 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, 2020, to June 30, 2021. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

A total of \$712.6 million in expenditures were identified for fiscal year ended June 30, 2021, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 11,795
Services and other operating expenditures	20,757
Capital outlay	<u>562,574</u>
<i>Total non-payroll expenditures</i>	<u>595,126</u>
Payroll Expenditures:	
Classified salaries	46,386
Employee benefits	<u>22,295</u>
<i>Total payroll expenditures</i>	<u>68,681</u>
Other Financing Uses:	
Transfers out	<u>48,797</u>
<i>Total other financing uses</i>	<u>48,797</u>
Total Measure Q Expenditures per AAFR - District Bonds Fund	<u>\$ 712,604</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

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, 2021, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2021.

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 404 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$313 million or 44% 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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PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

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.

The Information Technology Division (ITD) issued its most recent Board approved SEP in 2018, which was used for testing. Expenditures pertaining to projects not listed in the 2018 SEP were tested in accordance with the Board approved SEP amendment.

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 59 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$6.2 million 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 maintained a multi-funded timesheet, 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.

The Information Technology Division (ITD) issued its most recent Board approved SEP in 2018, which was used for testing. Payroll expenditures pertaining to projects not listed in the 2018 SEP were tested in accordance with the Board approved SEP amendment.

We identified three instances of non-compliance with Procedure (c)(iii) in regard to the preparation and submittal of the Semi-Annual Certification in accordance with the District's policy. Refer to finding **MQ-2021-001** in the Schedule of Findings and Responses for further details.

We identified eight instances of non-compliance with Procedure (c)(iv). Refer to finding **MQ-2021-002** in the Schedule of Findings and Responses for further details.

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OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

d. Procedures Performed

We selected a total of 40 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. For payroll project expenditures, 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

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 amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing use of Measure Q funds.

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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SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers Construction Contracts procured during the period of July 1, 2020, to June 30, 2021, in which the original funding strategy source assigned was Measure Q.

Procedures Performed

We selected 11 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.

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2. PROCUREMENT OF CONTRACTS/AGREEMENTS *(continued)*

Procedures Performed *(continued)*

We selected a total of 5 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 CONTRACTS/AGREEMENTS *(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.

Conclusions

The results of our tests indicated that the District procured the selected Professional Service Agreements in accordance with the District's Desk-Top Procedures for Facilities Contracts 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.

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OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
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3. SURVEY OF COMPENSATION OF MANAGERS

Objective

Determine that the District was compliant with the Measure Q Resolution requirements regarding the Survey of Compensation of Managers (Survey), as follows:

To ensure that the District employs managers of the Division who are so qualified, and because the required qualifications and responsibilities of the Managers of the Division are unique relative to those of other District classified positions, the Board shall, subject to the merit system provisions of the Education Code, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace and thereby better ensure that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond-funded school construction and modernization program.

Scope

The Survey is to be conducted biennially in odd fiscal years.

Procedures Performed

We obtained a copy of the completed Survey and determined whether the Board declared a finding that the managers of the District's FSD are being compensated accordingly.

Conclusion

The results of our tests indicated that the District was not fully compliant with Measure Q's Survey of Compensation of Managers requirement. Refer to finding **MQ-2021-003** in the Schedule of Findings and Responses for further details.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES
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MQ-2021-001 – Semi-Annual Certification Form of Bond-Funded Work

Criteria

In accordance with the District's Policy Bulletin 6521.1, Documentation for Bond-Funded Employees, dated July 1, 2016, 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 who maintain a multi-funded timesheet and are reporting time in a time keeping systems maintained by the respective department, who were Measure Q funded classified employees, 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 March 9, 2021, with the second Certification period of January 1 through June 30 due no later than August 2, 2021. These dates are set by the CFO's Bond Compliance Unit and are subject to change on an annual basis.

Condition

In conjunction with Objective 1, Procedure (c)(iii), of the employees sampled we identified three employees, for a total of three forms, whose Certifications were not prepared and/or submitted in accordance with the District's policy, as follows:

- One employee's time charged to Measure Q, covering the period of July 1, 2020, through November 30, 2020, was not prepared. The employee separated from the District on November 30, 2020, and did not submit a Certification prior to separation.
- One employee's Certification covering the period of July 1, 2020, through December 31, 2020, was signed by the employee and the employee's supervisor on March 11, 2021, subsequent to the March 9, 2021, deadline.
- One employee's Certification covering the period of July 1, 2020, through December 31, 2020, was signed by the employee on February 16, 2021. The supervisor signed the Certification but did not date it. The Department e-mailed the Certification to the CFO's Bond Compliance Unit on March 9, 2021, the required deadline.

Cause and Effect

The incidents identified above are instances where the District's policy was not fully followed. Departments who do not submit Certifications, or do so untimely, 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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SCHEDULE OF FINDINGS AND RESPONSES
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MQ-2021-001 – Semi-Annual Certification Form of Bond-Funded Work *(continued)*

Recommendation

We recommend that the District continue to provide ongoing guidance to relevant Departments on the required procedures, provide guidance in circumstances where employees are separated from the District, and further improve on the process of monitoring relevant Department's compliance with required procedures.

Views of Responsible Officials and Planned Corrective Actions

Departments will ensure that Semi-Annual Certification forms will be submitted correctly and timely.

Bond Compliance Unit will continue to provide guidance and will recommend measures to all relevant Departments to ensure compliance with the Semi-Annual Certification requirement.

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MQ-2021-002 – 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 or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, 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 or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, 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 or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.

Condition

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

- a. Seven 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 or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities for the time reported to an "overhead" or "indirect" code.
- b. One employee submitted a Certification which certified their percentage of regular time spent on Bond-Eligible Projects/Activities as being 100%. Based on our interview with the employee it was determined that the department is responsible for handling both bond funded, and non-bond funded related activities. We reviewed the analysis performed by the department supporting the percentage of work performed over bond funded activities as being 95% compared non-bond funded activities of 5%. We determined that there were no end of year adjustments to Measure Q to reflect the actual time spent on bond funded activities.

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MQ-2021-002 – Payroll Expenditure Charges *(continued)*

Cause and Effect

- a. 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 time to verify that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities.
- b. Departments whose employees submit a Certification which certifies a percent of regular time spent on Bond-Eligible Projects/Activities of 100% and have a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, should adjust Measure Q to reflect the actual time spent on non-bond funded activities. Departments that determine time was spent on non-bond funded activities for these employees but not adjusting Measure Q are not adhering to the District’s policy and will lead to overcharges to Measure Q.

Recommendation

We recommend the following to the District:

- a. Extend the Certification requirement to all employees not tracking their time to specific projects, regardless of their use of time tracking systems.
- b. Establish policies and procedures to provide guidance to departments regarding the analysis of payroll expenditures charged to Measure Q against actual time spent or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.
- c. Establish monitoring controls for Departments to properly adjust payroll expenditures charged to Measure Q for work performed over non-bond funded activities.

Views of Responsible Officials and Planned Corrective Actions

The revised bulletin BUL-6521.2 Documentation for Bond-Funded Employees dated 12/17/2021 provides clearer guidance to all relevant Departments on the certification requirements for bond-funded employees.

Bond Compliance Unit will continue to provide guidance and will recommend measures to all relevant Departments to ensure that the bond fund is correctly charged for actual time employee spent on supporting the bond program.

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MQ-2021-003 – Survey of Compensation of Managers

Criteria

On a biennial basis, the District is required to be compliant with the Measure Q Resolution requirements regarding the Survey of Compensation of Managers (Survey):

To ensure that the District employs managers of the Division who are so qualified, and because the required qualifications and responsibilities of the Managers of the Division are unique relative to those of other District classified positions, the Board shall, subject to the merit system provisions of the Education Code, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and *the Board* shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace and thereby better ensure that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond-funded school construction and modernization program.

The District's Personnel Commission (PC) is responsible for conducting the survey and presenting its results to the Board, at which point the Board can make a finding that its managers of the District's Facilities Services Division (FSD) are being compensated accordingly.

Condition

In 2021, the District's Personnel Commission, did complete the survey and provided the results of the survey and their analysis in the form of a Board Informative, entitled Facilities Salary Survey 2021, addressed to the Board and then Interim Superintendent of Schools, on October 18, 2021.

The Interim Superintendent of Schools prepared a Board Informative on October 27, 2021, addressed to the Board, making a finding that the 2021 compensation levels for FSD managers are competitive in the marketplace for recruitment and retention purposes.

This Board Informative, along with the Informative Facilities Salary Survey 2021 conducted by the PC, was then distributed to the Board members, by the Interim Superintendent of Schools, in the form of an e-mail.

Ultimately, it was the Interim Superintendent of Schools that stated the finding on the compensation of managers. There was no formal communication prepared by the Board, as stipulated in the Measure Q Resolution, making a finding as to the results of the Survey.

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MQ-2021-003 – Survey of Compensation of Managers *(continued)*

Cause and Effect

The Board Informative prepared by the Interim Superintendent of School, addressed to the Board, referenced the requirements of a survey as stipulated in the Measure RR Resolution as follows:

To ensure that the District employs managers within the Division who are so qualified, and because the required qualifications and responsibilities of the managers of the Facilities Services Division are unique relative to those of other District classified positions, the Board or Superintendent of Schools shall, subject to the merit system provisions of the Education Code, no less than biennially cause a compensation survey of managers in major construction programs and managers in major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board or Superintendent of Schools shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace thereby better ensuring that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond program.

As stated above, the Measure RR Resolution allows for either the Board or Superintendent of Schools to make the finding based on the results of the survey, while Measure Q's Resolution does not contain language stating the Superintendent of Schools as an option but requires the Board to make the finding.

The objective is to determine the District's compliance with the Survey of Compensation as stipulated in the Measure Q Resolution.

Although the District did complete the Survey as required by the Measure Q Resolution and met the objective of the bond measure, the Board did not make a finding that the managers of the District's Facilities Services Division are being compensated accordingly. As such, the District is not compliant with the survey requirement.

Recommendation

We recommend that the Board formally make the finding that the managers of the District's Facilities Services Division are being compensated accordingly, as stipulated in the Measure Q Resolution.

Views of Responsible Officials and Planned Corrective Actions

A Facilities Services Division management compensation survey was performed and presented to the Superintendent in late 2021. The Superintendent made a finding that the managers of the District's Facilities Services Division are being compensated accordingly and the findings were shared with the Board of Education. No issues were raised with the findings. There was not a separate process for each Bond Measure, and the District believes it has complied with the spirit and intent of Measure Q (passed in 2008).

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MQ-2020-001 – 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

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.

Current Status

Implemented.

MQ-2020-002 – 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

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.

Current Status

Implemented.

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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

Implemented.

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

Implemented.