

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
JUNE 30, 2024**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
June 30, 2024**

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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, 2024.

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 24, 2025

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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LEGISLATIVE HISTORY
June 30, 2024**

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, 2024**

The Measure Q School Bond Construction Program (Measure Q) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2008" was 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 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 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 a 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. \$4.276 billion has since been issued between February 2016 and June 2024. 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 is 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, 2024**

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, 2024, 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.

The scope, methodology, and conclusions of the above objectives are enumerated on pages 5 through 10 of this report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2024**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2024, 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 from July 1, 2023, to June 30, 2024. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

A total of \$759.9 million in expenditures were identified for fiscal year ended June 30, 2024, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 1,931
Services and other operating expenditures	29,034
Capital outlay	<u>648,175</u>
<i>Total non-payroll expenditures</i>	<u>679,140</u>
Payroll Expenditures:	
Classified salaries	50,598
Employee benefits	<u>28,832</u>
<i>Total payroll expenditures</i>	<u>79,430</u>
Other Financing Uses:	
Transfers out	<u>1,313</u>
<i>Total other financing uses</i>	<u>1,313</u>
Total Measure Q Expenditures per AAFR - District Bonds Fund	<u>\$ 759,883</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2024**

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, 2024, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2024.

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 348 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$394.3 million or 58.2% 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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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

We identified two instances of non-compliance with Procedure (b)(i). Refer to finding **MQ-2024-001** in the Schedule of Findings and Responses for further details.

Information Technology Services (ITS) issued its most recent Board approved SEP in 2023, which was used for testing. Expenditures pertaining to projects not listed in the 2023 SEP were tested in accordance with the board approved SEP amendments.

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 63 employees' payroll expenditures (sampled employees) for the entire fiscal year, amounting to \$3.4 million of the total population of payroll expenditures. We performed the following procedures:

- a. 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.
- b. 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.
- c. 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 employee's 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-6521.2 dated December 17, 2021, for the entire fiscal year.
- d. 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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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
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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 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.

We identified eight instances of non-compliance with Procedure (c)(iv). Refer to finding **MQ-2024-002** in the Schedule of Findings and Responses for further details.

d. Procedures Performed

We selected a total of 19 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 the use of Measure Q funds.

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

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2. PROCUREMENT OF 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.

Scope

The scope covers contracts/agreements procured during the period of July 1, 2023, to June 30, 2024, in which the original funding strategy source assigned was Measure Q.

Procedures Performed

We selected a total of 3 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 *(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 the 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.
 - Final contract was issued with evidence of all required approvals.
- v. We verified that the contract award was properly authorized and approved by the Board.
- vi. We verified that the extract of the 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 Construction Contracts in accordance with the applicable requirements of the District's Operational Standards Policies & Procedures, and Desk-Top Procedures for Facilities Contracts.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2024**

MQ-2024-001 – Indirect Cost Charges

Criteria

Indirect costs are associated with the bond program but should not or cannot be reasonably attributed to individual projects. These costs include the following:

- *Program Management*: Includes program level support costs for staff members of the Facilities Executive Office and FSD branches. Also includes activities that may be needed to prepare for Board review of project definitions such as surveying, master planning, standards development, and initial project scoping.
- *Non-FSD Support*: Includes costs of support staff outside of FSD, but funded by the bond program, such as the offices of the General Counsel, Inspector General, Procurement Services, Accounts Payable, Risk Management, and the Personnel Commission.
- *Other Indirect Costs*: Includes costs associated with bond issuance, professional services related to program needs, and bond program operating costs such as supplies, equipment, technology, and previously leased space for bond program staff.

Purchases associated with indirect costs that benefit both bond projects and non-bond projects should be allocated based on a proportional cost analysis that reflects the relative benefit to each program, ensuring an equitable distribution of expenditures.

Condition, Cause & Effect

In conjunction with Objective 1, Procedure (b)(i), of the non-payroll expenditures sampled, we identified the following:

- a. The District's Office of Inspector General (OIG) conducted a security audit of the My Integrated Student Information System (MiSiS) software application established in Fiscal Year 2023 and completed in Fiscal Year 2024. The OIG charged external contracting services totaling \$41,658 to Measure Q and additionally assigned a manager to provide oversight of the external contractor's team, resulting in 101.5 hours of payroll expenditures that were also charged to Measure Q.

The MiSiS security audit was initiated based on new risks the OIG identified, which occurred after the Board's approval of the OIG's 2023 annual work plan. There is no current formal process that requires the OIG to submit amendments to its work plan for Board approval during the fiscal year, as additional work scope is identified.

The MiSiS project was a Board-approved bond project, which has been fully completed, along with all budgeted spending. As a result, the cost associated with the security audit was not part of the initial scope approved for bond funding, and should not have been charged to Measure Q.

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MQ-2024-001 – Indirect Cost Charges *(continued)*

Condition, Cause & Effect *(continued)*

- b. The District's OIG assists the District in the preparation of due diligence and background investigations conducted on contractors and vendors who perform services on bond funded projects. The Procurement Services Division (PSD) sends an inter-office correspondence to the OIG with an official request for a due diligence analysis to be conducted, which specifies the contractor/vendor's name and information, contract or bid/proposal number, bid amount or cumulative contract award amount, and the percentage of bond funding which should be charged by the OIG for the costs associated with completing the request.

The OIG charged external contracting services totaling \$17,200 to Measure Q, which represents 100% of the costs associated with the work done by the OIG.

Based on the inter-office correspondence request provided to the OIG by PSD, the OIG should have charged 90% of the total costs incurred to Measure Q, which represents the percentage of projects associated with the contract that are bond funded. The remaining 10% should have been funded by other sources.

As a result, the District overallocated the cost associated with these due diligence reports to Measure Q by 10%.

Recommendation

We recommend the following to the District:

- a. Adjust Measure Q's expenditures for the payroll and non-payroll expenditures related to the OIG's MiSiS security audit identified in our finding.
- b. Adjust Measure Q's expenditures for the non-payroll expenditures related to the OIG's due diligence activities, in accordance with the funding requirements provided by PSD, identified in our finding.
- c. Include in the OIG's policies and procedures guidelines ensuring that changes to its Board approved annual work plan, specifically for additional bond funded work, are brought back to the Board as an amendment to its annual work plan for approval.

Views of Responsible Officials and Planned Corrective Actions

- a. The OIG will adjust Measure Q's expenditures for the payroll and non-payroll expenditures related to the OIG's MiSiS security audit.
- b. The OIG will adjust Measure Q's expenditures for the non-payroll expenditures related to the OIG's due diligence activities identified in the audit.
- c. The OIG will include in our policies and procedures a provision requiring that all bond funded work be approved by the Board of Education. The policy will be in accordance with the OIG charter.

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MQ-2024-002 – 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.

FSD, ITS, 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 timekeeping 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 originally 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 establish relevant metrics properly, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.

Condition, Cause & Effect

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

- a. Based on our review of payroll documentation for four employees from the District's Personnel Commission department, it was determined that the employees' payroll charges to Measure Q were based on a fixed budgeted percentage. The department performed a subsequent analysis utilizing the percentage of bond funded work reported on the Semi-Annual Certifications submitted by all employees in the department. It was determined, that Semi-Annual Certifications are reporting budgeted information, and therefore cannot be relied upon as a relevant metric for determining the employees' time spent on Measure Q related activities. This is a repeat finding for the department.
- b. Based on our review of payroll documentation for four employees from the District's Office of Environmental Health and Safety (OEHS) department, it was determined that the employees' payroll charges to Measure Q were based on a fixed budgeted percentage. Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the closing of the books, of actual time spent during the year to adjust the bond funds accordingly.

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MQ-2024-002 – Payroll Expenditure Charges *(continued)*

Recommendation

We recommend the following to the District:

- a. The CFO's Bond Compliance Unit to provide training, guidance, and support to the District's Personnel Commission and OEHS 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, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities. Further, the District should ensure that personnel responsible for making such decisions on behalf of the department are present for the training.
- b. The District's Personnel Commission and OEHS departments to establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, which are not based on budgeted assumptions, to make relative adjustments at the end of the year, as a result of the training provided by the CFO's Bond Compliance Unit.

Views of Responsible Officials and Planned Corrective Actions

- a. *Personnel Commission* - The District will provide training, guidance, and support to the Personnel Commission department so that the department may be able to distinguish bond-funded and non-bond-funded activities. The District will identify personnel responsible for making decisions over assigning bond and non-bond funded work within each department with repeat findings and ensure that they are present for the training.

OEHS - OEHS acknowledges the recommendation and will ensure that designated personnel responsible for bond-funded payroll decisions participate in the training provided by the CFO's Bond Compliance Unit. Additionally, OEHS will work collaboratively with the CFO's Bond Compliance Unit to refine payroll expenditure tracking methods for Measure Q activities.

- b. *Personnel Commission* - The District concurs with the finding over Personnel Commission funded with bond dollars. The District will develop relevant metrics for the department.

OEHS - OEHS acknowledges the complexity of distinguishing bond-funded versus non-bond-funded activities, as certain work functions do not align neatly to a particular project line. OEHS will collaborate with the CFO's Bond Compliance Unit to explore methodologies that enhance transparency in tracking time allocations. While existing processes are designed to ensure compliance, OEHS will review potential refinements in alignment with the guidance provided during training.

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SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
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MQ-2023-001 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

- a. Adjust Measure Q's expenditures for the ineligible costs pertaining to non-bond related activities and overcharges identified in our finding.
- b. Employees whose time is subsequently adjusted based on relevant metrics of the employee's actual work conducted, should utilize metrics covering the entire fiscal year.
- c. Provide training, guidance, and support to the specific departments of the employees identified in our finding, regarding the analysis of payroll expenditures charged to Measure Q against actual time spent or a system in place to properly establish relevant metrics, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities. Further, the District should ensure that personnel responsible for making such decisions on behalf of the departments are present for the training.

Views of Responsible Officials and Planned Corrective Actions

- a. The District will make the adjustments for expenditures in Measure Q according to the findings.
- b. The District will utilize relevant metrics for the entire year and process journal vouchers when adjusting bond payroll charges for employees at year-end.
- c. The District will provide annual training, guidance, and support to all departments with employees charging time on bond funds. The District will require personnel that are responsible for employees that charge the bond funds be provided training to include the time reporting procedures and collection of relevant metrics in order to evaluate necessary adjustments to the bond charges.

Current Status

- a. Implemented.
- b. Not implemented. Refer to the current year MQ-2024-002 – Payroll Expenditure Charges finding in which we identified instances where the District did not utilize relevant metrics when adjusting bond payroll charges for employees at year-end. The District has prepared an updated planned corrective action plan, which we will follow up on in next year's performance audit.
- c. Implemented.