

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
PROPOSITION BB
STATEMENT OF BOND EXPENDITURES
AND SUPPLEMENTARY SCHEDULES AS OF
JUNE 30, 2020
(WITH INDEPENDENT AUDITOR'S REPORT
THEREON)**



LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Bond Expenditures	3
Notes to Statement of Bond Expenditures	4
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance Period from April 8, 1997 (inception) through June 30, 2020	6
Unaudited Supplementary Schedule of Bond Expenditures Period from April 8, 1997 (inception) through June 30, 2020	7
Notes to Unaudited Supplementary Schedule of Bond Expenditures	8



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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 audited the accompanying statement of bond expenditures (Statement) of the **Proposition BB School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2020 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Proposition BB School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from April 8, 1997 (inception) to June 30, 2020 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads 'Simpson & Simpson'.

Los Angeles, California
June 3, 2021

**LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures
Year Ended June 30, 2020

Cost Category	2020
Facilities Services Division (FSD) Capital Programs	
School Modernization	\$ 1,341,119
Total FSD Capital Programs	<u>1,341,119</u>
Total Expenditures, June 30, 2020	<u><u>\$ 1,341,119</u></u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(1) Proposition BB School Bond Construction Program Background

Proposition BB Initiative (Proposition BB) authorized the Los Angeles Unified School District (District) to issue \$2.4 billion in general obligation bonds. Bond proceeds are to be utilized for projects such as the repair of safety hazards, asbestos removal, installation of air-conditioning, making classrooms accessible to the disabled, upgrading security, and the construction of new classrooms. Proposition BB specifically states that no bond proceeds are to be used for administrator salaries.

The Proposition BB School Bond Construction Program (Program) is intended to provide needed health and safety improvements to more than 800 deteriorating schools and 15,000 buildings and to match state funds for new construction and modernization projects. The District Board of Education has established a Citizen's Oversight Committee to ensure that the proceeds of the Proposition BB School Bond Construction Program bond issuances are used for the purposes stated in the resolution, which placed the Proposition BB on the 1997 ballot.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

b) Cost Category

The major cost categories in the statement of bond expenditures for Proposition BB represent bond programs funded by the bond.

An example of "Indirect" cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Inspector General, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from April 8, 1997 (inception) through June 30, 2020
 (Unaudited)

Sources of Funds from Inception through June 30, 2020:

Bonds Issued - FY 1997-98 through FY 2002-03 (final issuance)	\$ 2,400,000,000
Interest Income - FY 1997-98 through FY 2018-19	177,727,302
Interest Income - FY 2019-20	88,848
Local Income - FY 2001-02 through FY 2017-18	1,966,538
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2018-19	208,145,472
Transfers In (Reimbursements) - OFS FY 2019-20	372,156
Total Sources of Funds, June 30, 2020	<u>\$ 2,788,300,316</u>
Uses of Funds (Expenditures) from Inception through June 30, 2020	<u>(2,783,794,539)</u>
Fund Balance, June 30, 2020	<u><u>\$ 4,505,777</u></u>

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Unaudited Supplementary Schedule of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2020
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		April 8, 1997 (Inception) through June 30, 2019	Expenditures Year Ended June 30, 2020	Total Expenditures through June 30, 2020	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 827,073,722	\$ 823,213,655	\$ -	\$ 823,213,655	\$ 3,860,067
School Modernization	1,921,655,828	1,920,058,989	1,341,119	1,921,400,108	255,720
Charter Schools	116,215	103,335	-	103,335	12,880
Indirects	16,118,440	15,741,334	-	15,741,334	377,106
Total FSD Capital Programs	2,764,964,205	2,759,117,313	1,341,119	2,760,458,432	4,505,773
Other Costs					
Employee Benefits	3,100,417	3,100,417	-	3,100,417	-
Cost of Issuance	1,140,865	1,140,865	-	1,140,865	-
Office of Inspector General	3,750,000	3,749,996	-	3,749,996	4
Total Other Costs	7,991,282	7,991,278	-	7,991,278	4
Other Financing Uses					
COPs Defeasance: Transfers Out to					
Debt Service Fund	15,344,829	15,344,829	-	15,344,829	-
Total Other Financing Uses	15,344,829	15,344,829	-	15,344,829	-
Total Proposition BB Bond Expenditures	\$ 2,788,300,316	\$ 2,782,453,420	\$ 1,341,119	\$ 2,783,794,539	\$ 4,505,777

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2020

(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures presents expenditures of the Proposition BB School Bond Construction Program for the period from April 8, 1997 (inception) through June 30, 2020.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from April 8, 1997 (inception) through June 30, 2019 and fiscal year 2019-20 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from April 8, 1997 (inception) through June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2020 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from April 8, 1997 (inception) through June 30, 2020

(Unaudited)

(2) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures for Proposition BB represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Inspector General, Accounts Payable, and Risk Management.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
STATEMENT OF BOND EXPENDITURES
AND SUPPLEMENTARY SCHEDULES AS OF
JUNE 30, 2020
(WITH INDEPENDENT AUDITOR'S REPORT
THEREON)**



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Bond Expenditures	3
Notes to Statement of Bond Expenditures	4
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance Period from November 5, 2002 (inception) to June 30, 2020	7
Unaudited Supplementary Schedule of Bond Expenditures Period from November 5, 2002 (inception) to June 30, 2020	8
Notes to Unaudited Supplementary Schedule of Bond Expenditures	9



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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 audited the accompanying statement of bond expenditures (Statement) of the **Measure K School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2020 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure K School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure K School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from November 5, 2002 (inception) to June 30, 2020 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads 'Simpson & Simpson'.

Los Angeles, California
June 3, 2021

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures

Year Ended June 30, 2020

Cost Category	2020
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 31,518
School Modernization	42,681,844
Early Childhood Education	20,988
Charter Schools	431,683
Indirects	4,543,863
Total FSD Capital Programs	<u>47,709,896</u>
Information Technology Division (ITD) Capital Programs	
School Network Modernization	66,644
Safety, Communications and Security Modernization	667,049
Total ITD Capital Programs	<u>733,693</u>
Total Expenditures, June 30, 2020	<u>\$ 48,443,589</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(1) Measure K School Bond Construction Program Background

The Measure K School Bond Construction Program (Program) 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 (District) funding for continued improvements to schools and to build new neighborhood schools that will provide an additional 112,000 new seats for children. Additionally, the Program has set funds aside for improving the neighboring communities by enhancing recreational activities and providing after-school space by constructing new schools, new parks and libraries.

The Board of Education has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure K on the 2002 ballot. The Measure K School Bond initiative authorized the issuance of \$3.35 billion in bonds. \$3.35 billion has since been issued between February 2003 and June 2010. The proceeds from the Measure K School Bonds are to be used for projects such as repairing leaky roofs, connecting classrooms to intranets and the internet, equipping libraries at new schools with the initial stock of new books, and construction of new schools and early education centers. All projects to be funded under the Program must be included in the Strategic Execution Plans (SEP) approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries, or for operating expenses. All projects are managed by District-approved project managers. Each project manager is responsible for managing all project-related activities, including the maintenance of the District's master schedule and the master project budget.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Year ended June 30, 2020

(2) Basis of Presentation (continued)

b) Cost Category

The major cost categories in the statement of bond expenditures for Measure K represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non-FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance

Period from November 5, 2002 (Inception) to June 30, 2020

(Unaudited)

Sources of Funds from Inception through June 30, 2020:

Bonds Issued - FY 2002-03 through FY 2009-10 (final issuance)	\$ 3,350,000,000
Adjustments - Bond Premium, net of Cost of Issuance (COI) FY 2006-07	5,482,312
Adjustments - Cost of Issuance (COI)/Underwriter's Discount FY 2008-09	(1,111,624)
Interest Income - FY 2002-03 through FY 2018-19	153,365,476
Interest Income - FY 2019-20	2,609,301
Local Income - FY 2013-14 through FY2018-19	1,041,869
Local Income - FY 2019-20	461,716
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2006-07 through FY 2018-19	695,928,571
Transfers In (Reimbursements) - OFS FY 2019-20	12,401,805
Total Sources of Funds, June 30, 2020	<u>\$ 4,220,179,426</u>
Uses of Funds (Expenditures) from Inception through June 30, 2020	<u>(4,076,294,427)</u>
Fund Balance, June 30, 2020	<u><u>\$ 143,884,999</u></u>

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Bond Expenditures
 Period from November 5, 2002 (Inception) to June 30, 2020
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			
		November 5, 2002 (Inception) through June 30, 2019	Expenditures Year Ended June 30, 2020	Total Expenditures through June 30, 2020	Unexpended Balance
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 2,975,965,645	\$ 2,877,380,221	\$ 31,518	\$ 2,877,411,739	\$ 98,553,906
School Modernization	772,244,811	688,759,747	42,681,844	731,441,591	40,803,220
Early Childhood Education	80,000,000	76,825,208	20,988	76,846,196	3,153,804
Charter Schools	53,500,000	52,126,684	431,683	52,558,367	941,633
Indirects	151,613,554	146,869,691	4,543,863	151,413,554	200,000
Total FSD Capital Programs	4,033,324,010	3,841,961,551	47,709,896	3,889,671,447	143,652,563
Information Technology Division (ITD)					
Capital Programs					
Virtual Learning Complex Planning	1,909,867	1,890,523	-	1,890,523	19,344
School Network Modernization	120,298,050	120,068,988	66,644	120,135,632	162,418
Safety, Communications and Security Modernization	5,959,132	5,292,083	667,049	5,959,132	-
Total ITD Capital Programs	128,167,049	127,251,594	733,693	127,985,287	181,762
Library Services	38,000,000	37,949,326	-	37,949,326	50,674
Total Library Services	38,000,000	37,949,326	-	37,949,326	50,674
Other Costs					
Employee Benefits	3,780,148	3,780,148	-	3,780,148	-
Cost of Issuance	5,658,218	5,658,218	-	5,658,218	-
Office of Inspector General	11,250,001	11,250,001	-	11,250,001	-
Total Other Costs	20,688,367	20,688,367	-	20,688,367	-
Total Measure K Bond Expenditures	\$ 4,220,179,426	\$ 4,027,850,838	\$ 48,443,589	\$ 4,076,294,427	\$ 143,884,999

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (inception) to June 30, 2020
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures presents expenditures of the Measure K School Bond Construction Program for the period from November 5, 2002 (inception) through June 30, 2020.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from November 5, 2002 (inception) through June 30, 2019 and fiscal year 2019-20 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from November 5, 2002 (inception) through June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2020 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (inception) to June 30, 2020
(Unaudited)

(2) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures for Measure K represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
STATEMENT OF BOND EXPENDITURES
AND SUPPLEMENTARY SCHEDULES AS OF
JUNE 30, 2020
(WITH INDEPENDENT AUDITOR'S REPORT
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LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Bond Expenditures	3
Notes to Statement of Bond Expenditures	4
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance Period from March 2, 2004 (inception) to June 30, 2020	7
Unaudited Supplementary Schedule of Bond Expenditures Period from March 2, 2004 (inception) to June 30, 2020	8
Notes to Unaudited Supplementary Schedule of Bond Expenditures	9



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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 audited the accompanying statement of bond expenditures (Statement) of the **Measure R School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2020 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure R School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure R School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from March 2, 2004 (inception) to June 30, 2020 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California

June 3, 2021

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures

Year Ended June 30, 2020

Cost Category	2020
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ 624,847
School Modernization	41,486,274
Adult and Career Education	55,008
Early Childhood Education	71,661
Charter Schools	100,597
Indirects	206,315
Total FSD Capital Programs	<u>42,544,702</u>
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	137,717
School Network Modernization	4,260,864
Safety, Communications and Security Modernization	2,693,272
My Integrated Student Information System	2,630,619
Enterprise Software Systems	1,741,677
Total ITD Capital Programs	<u>11,464,149</u>
Other Costs	
Cost of Issuance	<u>1,540,994</u>
Total Other Costs	<u>1,540,994</u>
Total Expenditures, June 30, 2020	<u>\$ 55,549,845</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(1) Measure R School Bond Construction Program Background

The Measure R School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Improvement Act 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 (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 has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure R on the 2004 ballot. The Measure R School Bond initiative authorized the issuance of \$3.87 billion in bonds. \$3.746 billion has since been issued between March 2004 and June 2020. 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 the Program must be included in the Strategic Execution Plans (SEP) approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher or administrator salaries or for operating expenses.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures

Year ended June 30, 2020

(2) Basis of Presentation (continued)

b) Cost Category

The major cost categories in the statement of bond expenditures for Measure R represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from March 2, 2004 (Inception) to June 30, 2020
 (Unaudited)

Sources of Funds from Inception through June 30, 2020:

Bonds Issued - FY 2004-05 through FY 2014-15	\$ 3,710,010,000
Bonds Issued - FY 2019-20	36,000,000
Adjustments - Bond Premium, net of Cost of Issuance (COI)	
FY 2004-05 through FY 2006-07	11,082,578
Adjustments - COI/Underwriter's Discount FY 2008-09	(2,447,946)
Interest Income - FY 2005-06 through FY 2018-19	151,963,290
Interest Income - FY 2019-20	1,496,988
Local Income - FY 2014-15 through FY2018-19	43,547,427
Local Income - FY 2019-20	1,381,087
Federal Income - FY 2014-15	1,752,450
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2005-06 through FY 2018-19	1,003,468,923
Transfers In (Reimbursements) - OFS FY 2019-20	3,521,636
Total Sources of Funds, June 30, 2020	\$ 4,961,776,433
Uses of Funds (Expenditures) from Inception through June 30, 2020	(4,873,270,816)
Fund Balance, June 30, 2020	\$ 88,505,617

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (Inception) to June 30, 2020
(Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		March 2, 2004	Expenditures	Total	
		(Inception) through June 30, 2019	Year Ended June 30, 2020	Expenditures through June 30, 2020	
Facilities Services Division (FSD)					
Capital Programs					
New Construction	\$ 1,854,855,210	\$ 1,802,064,915	\$ 624,847	\$ 1,802,689,762	\$ 52,165,448
School Modernization	1,957,073,746	1,904,587,472	41,486,274	1,946,073,746	11,000,000
Information Technology Network Upgrade	302,747	302,747	-	302,747	-
Adult and Career Education	25,000,000	24,557,578	55,008	24,612,586	387,414
Early Childhood Education	94,195,609	83,598,020	71,661	83,669,681	10,525,928
Charter Schools	71,885,324	69,124,998	100,597	69,225,595	2,659,729
Indirects	213,940,195	213,551,998	206,315	213,758,313	181,882
Total FSD Capital Programs	4,217,252,831	4,097,787,728	42,544,702	4,140,332,430	76,920,401
Information Technology Division (ITD)					
Capital Programs					
Classroom Technology Modernization	154,179,552	151,897,868	137,717	152,035,585	2,143,967
School Network Modernization	257,845,406	246,546,386	4,260,864	250,807,250	7,038,156
Safety, Communications and Security Modernization	10,886,188	7,672,638	2,693,272	10,365,910	520,278
My Integrated Student Information System	53,966,428	51,335,106	2,630,619	53,965,725	703
Disaster Recovery & Business Continuity	21,335,067	21,335,067	-	21,335,067	-
Enterprise Software Systems	1,741,677	-	1,741,677	1,741,677	-
Total ITD Capital Programs	499,954,318	478,787,065	11,464,149	490,251,214	9,703,104
Library Services	53,000,000	51,402,232	-	51,402,232	1,597,768
Total Library Services	53,000,000	51,402,232	-	51,402,232	1,597,768
Other Costs					
Employee Benefits and Other Post-Employment Benefits (OPEB)	11,065,191	11,065,191	-	11,065,191	-
Cost of Issuance	13,703,727	12,162,733	1,540,994	13,703,727	-
Office of Chief Financial Officer	436,175	157,119	-	157,119	279,056
Office of Inspector General	10,000,000	10,000,000	-	10,000,000	-
Total Other Costs	35,205,093	33,385,043	1,540,994	34,926,037	279,056
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	150,000,000	149,994,712	-	149,994,712	5,288
Reimbursements: Transfers Out to Special Reserve Fund	1,752,450	1,752,450	-	1,752,450	-
Information Technology Initiative Phase 1 Reimbursements: Transfers Out to Special Reserve Fund	4,611,741	4,611,741	-	4,611,741	-
Total Other Financing Uses	156,364,191	156,358,903	-	156,358,903	5,288
Total Measure R Bond Expenditures	\$ 4,961,776,433	\$ 4,817,720,971	\$ 55,549,845	\$ 4,873,270,816	\$ 88,505,617

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (inception) to June 30, 2020
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures presents expenditures of the Measure R School Bond Construction Program for the period from March 2, 2004 (inception) through June 30, 2020.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures represent the prior year expenditures from March 2, 2004 (inception) through June 30, 2019 and fiscal year 2019-20 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from March 2, 2004 (inception) through June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the unexpended balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2020 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (inception) to June 30, 2020
(Unaudited)

(2) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure R represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
STATEMENT OF BOND EXPENDITURES
AND SUPPLEMENTARY SCHEDULES AS OF
JUNE 30, 2020
(WITH INDEPENDENT AUDITOR'S REPORT
THEREON)**



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Bond Expenditures	3
Notes to Statement of Bond Expenditures	4
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance Period from November 8, 2005 (inception) to June 30, 2020	7
Unaudited Supplementary Schedule of Bond Expenditures Period from November 8, 2005 (inception) to June 30, 2020	8
Notes to Unaudited Supplementary Schedule of Bond Expenditures	9



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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 audited the accompanying statement of bond expenditures (Statement) of the **Measure Y School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2020 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure Y School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure Y School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from November 8, 2005 (inception) to June 30, 2020 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
June 3, 2021

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Statement of Bond Expenditures

Year Ended June 30, 2020

Cost Category	2020
Facilities Services Division (FSD) Capital Programs	
New Construction	\$ (173,726)
School Modernization	79,617,353
Information Technology Network Upgrade	192,580
Adult and Career Education	3,915
Early Childhood Education	1,443,834
Charter Schools	(1,924)
Indirects	26,449,146
Total FSD Capital Programs	<u>107,531,178</u>
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	52
School Network Modernization	1,897,743
Safety, Communications and Security Modernization	3,618,485
Enterprise Software Systems	4,962,000
Total ITD Capital Programs	<u>10,478,280</u>
Other Costs	
Cost of Issuance	944,249
Total Other Costs	<u>944,249</u>
Total Expenditures, June 30, 2020	<u>\$ 118,953,707</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(1) Measure Y School Bond Construction Program Background

The Measure Y School Bond Construction Program (Program) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005" 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 (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 has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure Y on the 2005 ballot. The Measure Y School Bond initiative authorized the issuance of \$3.985 billion in bonds. \$3.915 billion has since been issued between November 2005 and June 2020. The proceeds from the Measure Y School Bonds 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 the Program must be included in the Strategic Execution Plans (SEP) approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for operating expenses.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(2) Basis of Presentation (continued)

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

b) Cost Category

The major cost categories in the statement of bond expenditures for Measure Y represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from November 8, 2005 (Inception) to June 30, 2020
 (Unaudited)

Sources of Funds from Inception through June 30, 2020:

Bonds Issued - FY 2005-06 through FY 2017-18	\$ 3,732,850,000
Bonds Issued - FY 2019-20	182,000,000
Adjustments - Bond Premium, net of Cost of Issuance (COI) FY 2005-06	6,614,884
Adjustments - Cost of Issuance (COI)/Underwriter's Discount FY 2008-09	(667,495)
Interest Income - FY 2005-06 through FY 2018-19	102,260,996
Interest Income - FY 2019-20	663,399
Local Income - FY 2007-08 through FY 2015-16	37,038,000
Local Income - FY 2019-20	127
Transfers In (Reimbursements) - Other Financing Sources (OFS)	
FY 2005-06 through FY 2018-19	530,322,573
Transfers In (Reimbursements) - OFS FY 2019-20	3,309,712
Total Sources of Funds, June 30, 2020	<u>\$ 4,594,392,196</u>
Uses of Funds (Expenditures) from Inception through June 30, 2020	<u>(4,476,501,081)</u>
Fund Balance, June 30, 2020	<u><u>\$ 117,891,115</u></u>

Notes to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Bond Expenditures
 Period from November 8, 2005 (Inception) to June 30, 2020
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended / Over-expended Balance
		November 8, 2005 (Inception) through June 30, 2019	Expenditures Year Ended June 30, 2020	Total Expenditures through June 30, 2020	
Facilities Services Division (FSD)					
New Construction	\$ 2,416,386,267	\$ 2,351,109,308	\$ (173,726)	\$ 2,350,935,582	\$ 65,450,685
School Modernization	1,151,176,751	1,048,559,398	79,617,353	1,128,176,751	23,000,000
Information Technology Network Upgrade	165,294,210	163,836,654	192,580	164,029,234	1,264,976
Adult and Career Education	70,485,965	68,081,003	3,915	68,084,918	2,401,047
Early Childhood Education	33,228,309	31,784,475	1,443,834	33,228,309	-
Charter Schools	50,000,000	47,296,325	(1,924)	47,294,401	2,705,599
Indirects	44,665,386	16,216,240	26,449,146	42,665,386	2,000,000
Total FSD Capital Programs	<u>3,931,236,888</u>	<u>3,726,883,403</u>	<u>107,531,178</u>	<u>3,834,414,581</u>	<u>96,822,307</u>
Information Technology Division (ITD)					
Virtual Learning Complex Planning	2,030,131	1,878,689	-	1,878,689	151,442
Classroom Technology Modernization	20,557,965	20,489,089	52	20,489,141	68,824
School Network Modernization	133,192,104	124,130,319	1,897,743	126,028,062	7,164,042
Safety, Communications and Security Modernization	30,316,963	20,080,158	3,618,485	23,698,643	6,618,320
Enterprise Software Systems	8,962,000	-	4,962,000	4,962,000	4,000,000
Total ITD Capital Programs	<u>195,059,163</u>	<u>166,578,255</u>	<u>10,478,280</u>	<u>177,056,535</u>	<u>18,002,628</u>
Transportation (Buses)	<u>25,000,000</u>	<u>23,672,826</u>	<u>-</u>	<u>23,672,826</u>	<u>1,327,174</u>
Total Transportation (Buses)	<u>25,000,000</u>	<u>23,672,826</u>	<u>-</u>	<u>23,672,826</u>	<u>1,327,174</u>
Library Services	<u>5,000,000</u>	<u>3,933,742</u>	<u>-</u>	<u>3,933,742</u>	<u>1,066,258</u>
Total Library Services	<u>5,000,000</u>	<u>3,933,742</u>	<u>-</u>	<u>3,933,742</u>	<u>1,066,258</u>
Other Costs					
Employee Benefits and Other Post-Employment Benefits (OPEB)	25,280,723	25,280,723	-	25,280,723	-
Cost of Issuance	9,497,959	8,553,710	944,249	9,497,959	-
Office of Chief Financial Officer	2,828,497	2,155,766	-	2,155,766	672,731
Office of Inspector General	17,000,000	16,999,983	-	16,999,983	17
Total Other Costs	<u>54,607,179</u>	<u>52,990,182</u>	<u>944,249</u>	<u>53,934,431</u>	<u>672,748</u>
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	193,738,416	193,738,416	-	193,738,416	-
COPS Defeasance Cafeteria: Transfers Out to Special Reserve Fund Capital Outlay	20,554,147	20,554,147	-	20,554,147	-
COPS Defeasance ISIS: Transfers Out to Special Reserve Fund Capital Outlay	12,663,712	12,663,712	-	12,663,712	-
CIPR Cafeteria: Transfers Out to Cafeteria Fund	4,999,580	4,999,580	-	4,999,580	-
Buses: Transfer Out to General Fund Restricted	3,460,803	3,460,803	-	3,460,803	-
CIPR Integrated Student Information Systems (ISIS): Transfers Out to General Fund Restricted	26,400,000	26,400,000	-	26,400,000	-
Deferred Maintenance Match: Transfers Out to General Fund Restricted	120,000,000	120,000,000	-	120,000,000	-
Transfers Out to General Fund	1,672,308	1,672,308	-	1,672,308	-
Total Other Financing Uses	<u>383,488,966</u>	<u>383,488,966</u>	<u>-</u>	<u>383,488,966</u>	<u>-</u>
Total Measure Y Bond Expenditures	<u>\$ 4,594,392,196</u>	<u>\$ 4,357,547,374</u>	<u>\$ 118,953,707</u>	<u>\$ 4,476,501,081</u>	<u>\$ 117,891,115</u>

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2020
(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures presents expenditures of the Measure Y School Bond Construction Program for the period from November 8, 2005 (inception) through June 30, 2020.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures from inception reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the prior year expenditures from November 8, 2005 (inception) through June 30, 2019 and fiscal year 2019-20 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures from inception represent actual expenditures paid and accrued by the District for the period from November 8, 2005 (inception) through June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the fund balance column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the difference between the adjusted budget column and the total expenditures through June 30, 2020 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 8, 2005 (inception) to June 30, 2020
(Unaudited)

(2) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure Y represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
STATEMENT OF BOND EXPENDITURES
AND SUPPLEMENTARY SCHEDULES AS OF
JUNE 30, 2020
(WITH INDEPENDENT AUDITOR'S REPORT
THEREON)**



LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Bond Expenditures	3
Notes to Statement of Bond Expenditures	4
Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance Period from November 4, 2008 (inception) to June 30, 2020	7
Unaudited Supplementary Schedule of Bond Expenditures Period from November 4, 2008 (inception) to June 30, 2020	8
Notes to Unaudited Supplementary Schedule of Bond Expenditures	9



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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 audited the accompanying statement of bond expenditures (Statement) of the **Measure Q School Bond Construction Program** of the Los Angeles Unified School District (the District) for the year ended June 30, 2020 and the related notes to the Statement.

Management's Responsibility for the Statement of Bond Expenditures

Management is responsible for the preparation and fair presentation of the Statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the statement of bond expenditures referred to above presents fairly, in all material respects, the expenditures of the Measure Q School Bond Construction Program of the Los Angeles Unified School District for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 2 to the statement of bond expenditures, the accompanying statement of bond expenditures was prepared to comply with the requirements of California's Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act*.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the statement of bond expenditures of the Measure Q School Bond Construction Program of the Los Angeles Unified School District. The accompanying supplementary schedule of sources and uses of funds and fund balance and supplementary schedule of bond expenditures for the period from November 4, 2008 (inception) to June 30, 2020 (Supplementary Schedules), are presented for purposes of additional analysis, and are not a required part of the statement of bond expenditures.

The Supplementary Schedules have not been subjected to the auditing procedures applied in the audit of the statement of bond expenditures, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script, reading 'Simpson & Simpson'.

Los Angeles, California
June 3, 2021

**LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM**

Statement of Bond Expenditures

Year Ended June 30, 2020

Cost Category	2020
Facilities Services Division (FSD) Capital Programs	
School Modernization	\$ 609,167,497
Adult and Career Education	4,010,110
Early Childhood Education	3,681,949
Charter Schools	24,211,584
Indirects	77,638,567
Total FSD Capital Programs	<u>718,709,707</u>
Information Technology Division (ITD) Capital Programs	
Classroom Technology Modernization	3,391,523
School Network Modernization	3,027,590
Safety, Communications and Security Modernization	4,352,405
My Integrated Student Information System	904,763
Cafeteria Management System (CMS) -	
Point of Sale (POS) Technology Upgrade	951,197
Disaster Recovery & Business Continuity	1,875,577
Enterprise Software Systems	10,122,675
Total ITD Capital Programs	<u>24,625,730</u>
Other Costs	
Cost of Issuance	632,964
Office of Chief Financial Officer	902,748
Office of the Inspector General	4,116,174
Total Other Costs	<u>5,651,886</u>
Total Expenditures and Other Uses, June 30, 2020	<u><u>\$ 748,987,323</u></u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(1) Measure Q School Bond Construction Program Background

The Measure Q School Bond Construction Program (Program) 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 (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 has established a School Construction Bond Citizens' Oversight Committee to ensure that the proceeds of the Program's bond issuances are used for the purposes stated in the resolution, which placed Measure Q on the 2008 ballot. The Measure Q School Bond initiative authorized the issuance of \$7.0 billion in bonds. \$2.594 billion has since been issued between February 2016 and June 2020. The proceeds from the Measure Q School Bonds 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 the Program must be included in the Strategic Execution Plans (SEP) approved by the Board of Education. The District has established General Obligation Bond Charging Guidelines to outline the allowable expenditures for the Program. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for operating expenses.

(2) Basis of Presentation

The accompanying statement of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The statement of bond expenditures reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all of the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Statement of Bond Expenditures
Year ended June 30, 2020

(2) Basis of Presentation (continued)

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

b) Cost Category

The major cost categories in the statement of bond expenditures for Measure Q represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

UNAUDITED SUPPLEMENTARY SCHEDULES

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Sources and Uses of Funds and Fund Balance
 Period from November 4, 2008 (Inception) to June 30, 2020
 (Unaudited)

Sources of Funds from Inception through June 30, 2020:

Bonds Issued - FY 2015-16 through FY 2017-18	\$ 1,868,955,000
Bonds Issued - FY 2019-20	724,940,000
Interest Income - FY 2016-17 through FY 2018-19	30,972,674
Interest Income - FY 2019-20	8,355,393
Local Income - FY 2018-19	13,387
Transfers In (Reimbursements) - Other Financing Sources (OFS) FY 2017-18 through FY 2018-19	211,666,833
Transfers In (Reimbursements) OFS FY 2019-20	141,397,195
Total Sources of Funds, June 30, 2020	<u>\$ 2,986,300,482</u>
Uses of Funds (Expenditures) from Inception through June 30, 2020	<u>(2,278,071,317)</u>
Fund Balance, June 30, 2020	<u><u>\$ 708,229,165</u></u>

Note to Schedule:

Other Financing Sources

Transfers In and Other Financing Sources (OFS) represent financial accounting transfers of resources to the bond fund from other funds, such as: the general fund, special reserve fund, or county school facilities (state) fund. The primary example is when a project uses bond funds in place of approved state funding until the state funding has been received. Upon receipt of state funding the bond fund is reimbursed from the state fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the state or other fund. Project expenditures are credited in the project's bond resource and debited to the projects state resource.

See accompanying independent auditor's report.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
 Unaudited Supplementary Schedule of Bond Expenditures
 Period from November 4, 2008 (Inception) to June 30, 2020
 (Unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 4, 2008 (Inception) through June 30, 2019	Expenditures Year Ended June 30, 2020	Total Expenditures through June 30, 2020	
Facilities Services Division (FSD)					
New Construction	\$ 295,095,988	\$ 15,177,758	\$ -	\$ 15,177,758	\$ 279,918,230
School Modernization	1,693,228,506	894,061,009	609,167,497	1,503,228,506	190,000,000
Adult and Career Education	20,353,726	15,943,616	4,010,110	19,953,726	400,000
Early Childhood Education	11,997,112	6,196,383	3,681,949	9,878,332	2,118,780
Charter Schools	69,228,712	43,017,074	24,211,584	67,228,658	2,000,054
Indirects	374,207,225	294,207,225	77,638,567	371,845,792	2,361,433
Total FSD Capital Programs	<u>2,464,111,269</u>	<u>1,268,603,065</u>	<u>718,709,707</u>	<u>1,987,312,772</u>	<u>476,798,497</u>
Information Technology Division (ITD)					
Classroom Technology Modernization	25,356,000	12,177,505	3,391,523	15,569,028	9,786,972
School Network Modernization	66,089,764	3,540,959	3,027,590	6,568,549	59,521,215
Safety, Communications and Security Modernization	98,944,669	446,124	4,352,405	4,798,529	94,146,140
My Integrated Student Information System	119,971,097	116,574,658	904,763	117,479,421	2,491,676
Cafeteria Management System (CMS) - Point of Sale (POS) Technology Upgrade	6,300,000	4,821,356	951,197	5,772,553	527,447
Disaster Recovery & Business Continuity	51,434,653	34,479,049	1,875,577	36,354,626	15,080,027
Enterprise Software Systems	64,003,699	26,593,958	10,122,675	36,716,633	27,287,066
Total ITD Capital Programs	<u>432,099,882</u>	<u>198,633,609</u>	<u>24,625,730</u>	<u>223,259,339</u>	<u>208,840,543</u>
Other Costs					
Cost of Issuance	1,789,210	1,156,246	632,964	1,789,210	-
Office of Chief Financial Officer	12,740,237	3,093,120	902,748	3,995,868	8,744,369
Office of Inspector General	22,576,504	10,460,330	4,116,174	14,576,504	8,000,000
Total Other Costs	<u>37,105,951</u>	<u>14,709,696</u>	<u>5,651,886</u>	<u>20,361,582</u>	<u>16,744,369</u>
Other Financing Uses					
School Upgrade Program (SUP) Transfers Out to Cafeteria Fund - Upgrade Food Services Kitchen Equipment	483,380	483,380	-	483,380	-
Transfers Out to General Fund - Transportation (Buses)	22,500,000	16,654,244	-	16,654,244	5,845,756
Transfers Out to General Fund - Routine Restricted General Maintenance (RRGM)	30,000,000	30,000,000	-	30,000,000	-
Total Other Financing Uses	<u>52,983,380</u>	<u>47,137,624</u>	<u>-</u>	<u>47,137,624</u>	<u>5,845,756</u>
Total Measure Q Bond Expenditures	<u>\$ 2,986,300,482</u>	<u>\$ 1,529,083,994</u>	<u>\$ 748,987,323</u>	<u>\$ 2,278,071,317</u>	<u>\$ 708,229,165</u>

See accompanying independent auditor's report and notes to unaudited supplementary schedule of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM

Notes to Unaudited Supplementary Schedule of Bond Expenditures

Period from November 4, 2008 (inception) to June 30, 2020

(Unaudited)

(1) Background

The unaudited supplementary schedule of bond expenditures presents expenditures of the Measure Q School Bond Construction Program for the period from November 4, 2008 (inception) through June 30, 2020.

(2) Basis of Presentation

The accompanying unaudited supplementary schedule of bond expenditures has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of bond expenditures from inception reflects the flow of current financial resources measurement focus and is presented on the modified accrual basis of accounting. The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all of the proceeds have been expended. Accordingly, the unaudited supplementary schedule of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types, from inception.

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying unaudited supplementary schedule of bond expenditures from inception represent the prior year expenditures from November 4, 2008 (inception) through June 30, 2019 and fiscal year 2019-20 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying unaudited supplementary schedule of bond expenditures from inception represent actual expenditures paid and accrued by the District for the period from November 4, 2008 (inception) through June 30, 2020, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the fund balance column in the accompanying unaudited supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2020 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM
Notes to Unaudited Supplementary Schedule of Bond Expenditures
Period from November 4, 2008 (inception) to June 30, 2020
(Unaudited)

(2) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception for Measure Q represent bond programs funded by the bond. The cost category “Indirects” refer to all expenditures that should not or cannot be reasonably attributed to individual projects.

An example of “Indirect” cost is program management. Program management includes program-level support costs for staff members of the Facilities Executive Office and Facilities Services Division (FSD) branches as well as non FSD support which includes costs of support staff outside of FSD charged to the bond program, such as the Office of the General Counsel, Accounts Payable, and Risk Management.

(3) Other Financing Uses

Transfers Out and Other Financing Uses (OFU) represent financial accounting transfers of bond proceeds (inter-fund transactions of revenue) from the bond fund to other funds for approved financing uses of bond funds. One example is reimbursement of prior year bond eligible capital expenditures in the general fund. For cost accounting purposes when project tracking is required, these transfers are represented as project expenditures in the bond fund.

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



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

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure K General Obligation Bonds.....	3
Objective, Scope, Methodology and Conclusions.....	4
Schedule of Findings and Responses.....	12
Schedule of Prior Year Findings and Responses.....	13



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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 K 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit was limited to the objective listed on page 4 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure K 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 K 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 K
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 K
PERFORMANCE AUDIT
MEASURE K GENERAL OBLIGATION BONDS
June 30, 2020**

The Measure K School Bond Construction Program (Measure K) 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 improvements to schools and to build new neighborhood schools that will provide an additional 112,000 new seats for children. Additionally, the Program has set funds aside for improving the neighboring communities by enhancing recreational activities and providing after-school space by constructing new schools, new parks and libraries.

The Board of Education (the Board) has established a School Construction Bond Citizens' Oversight Committee (BOC) to ensure that the proceeds of the Measure K's bond issuances are used for the purposes stated in the Board Resolution (the Resolution), which placed Measure K on the 2002 ballot.

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

- repairing leaky roofs,
- connecting classrooms to intranets and the internet,
- equipping libraries at new schools with the initial stock of new books, and
- construction of new schools and early education centers.

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

The Measure K initiative authorized the issuance of \$3.35 billion in bonds. \$3.35 billion has since been issued between February 2003 and June 2010. The bonds are included in the audited financial statements of the District.

The District tracks the financial activities related to Measure K 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 K
PERFORMANCE AUDIT
OBJECTIVE, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2020**

OBJECTIVE OF THE AUDIT

The following represents the objective of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure K 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/Agreements

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

3. New Projects

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

The scope, methodology and conclusions of the above objective is enumerated in pages 5 through 11 of this report.

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure K 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 K.

A total of \$48.4 million in expenditures were identified for fiscal year ended June 30, 2020, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 867
Services and other operating expenditures	3,131
Capital outlay	<u>37,884</u>
<i>Total non-payroll expenditures</i>	<u>41,882</u>
Payroll Expenditures:	
Classified salaries	148
Employee benefits	<u>78</u>
<i>Total payroll expenditures</i>	<u>226</u>
Other Financing Uses:	
Transfers out	<u>6,336</u>
<i>Total other financing uses</i>	<u>6,336</u>
Total Measure K Expenditures per AAFR - District Bonds Fund	<u>\$ 48,444</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, 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 K, Fund 213, as of June 30, 2020.

Conclusion

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

b. Procedures Performed

We selected a total of 100 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$25.6 million or 61% 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 K'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 K'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 K
PERFORMANCE AUDIT
OBJECTIVE, 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 9 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$207,188 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 K'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 K 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 K by testing the following:
 - Sampled employees working under FSD or Information Technology Division (ITD), who were Measure K 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 K, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure K were based on actual time spent on Measure K related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, 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.

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, the results of our tests indicated that payroll expenditures were based on time associated with actual activities performed on Measure K, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified that payroll expenditures charged to Measure K were based on actual time spent on Measure K related activities.

d. Procedures Performed

We selected a total of 14 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 K’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 K 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 K’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 K 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.

Conclusion

We identified that all 14 of the sampled transfers represents transfers occurring in-between funds within the District Bonds Fund, and therefore is not subject to the above procedures.

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

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

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

Procedures Performed

We selected 1 Goods and Supplies Contract to determine the District procured the contract in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contract:

- 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.

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

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

Procedures Performed *(continued)*

We selected 2 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.

Conclusion

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

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

3. NEW PROJECTS

Objective

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

Scope

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

Procedures Performed

We selected one Facilities Services Division (FSD) project and verified the following for the project:

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

Conclusion

The new FSD project established during the fiscal year was properly reviewed and approved internally in accordance with the department's project approval procedures, was presented to the BOC and approved by the Board.

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

No matters were reported.

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

No matters were reported.

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

	Page
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



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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 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>
Total Measure R Expenditures per AAFR - District Bonds Fund	<u>\$ 55,551</u>

**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.

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



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

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure Y General Obligation Bonds.....	3
Objectives, Scope, Methodology and Conclusions.....	4
Schedule of Findings and Responses.....	11
Schedule of Prior Year Findings and Responses.....	12



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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 Y 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 Y 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 Y 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 Y
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 Y
PERFORMANCE AUDIT
MEASURE Y GENERAL OBLIGATION BONDS
June 30, 2020**

The Measure Y School Bond Construction Program (Measure Y) or "the Safe and Healthy Neighborhood Schools Repair and Construction Measure of 2005" 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 to ensure that the proceeds of the Measure Y's bond issuances are used for the purposes stated in the Board Resolution (the Resolution), which placed Measure Y on the 2005 ballot.

The proceeds from the Measure Y 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 Y 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 Y. Such guidelines specifically state that no funds will be spent for teacher, administrator salaries or for school operating expenses.

The Measure Y initiative authorized the issuance of \$3.985 billion in bonds. \$3.915 billion has since been issued between November 2005 and June 2020. The bonds are included in the audited financial statements of the District.

The District tracks the financial activities related to Measure Y 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 Y
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 Y 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/Agreements

Determine that the District 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 10 of this report.

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Y 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 Y.

A total of \$119 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	7,699
Capital outlay	<u>15,320</u>
<i>Total non-payroll expenditures</i>	<u>23,116</u>
Payroll Expenditures:	
Classified salaries	6,173
Employee benefits	<u>87</u>
<i>Total payroll expenditures</i>	<u>6,260</u>
Other Financing Uses:	
Transfers out	<u>89,577</u>
<i>Total other financing uses</i>	<u>89,577</u>
Total Measure Y Expenditures per AAFR - District Bonds Fund	<u>\$ 118,953</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
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 Y, Fund 214, as of June 30, 2020.

Conclusion

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

b. Procedures Performed

We selected a total of 99 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$6.5 million or 28% 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 Y'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 Y'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 Y
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 8 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$19,264 or .03% 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 Y'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 Y 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 Y by testing the following:
 - Sampled employees working under FSD or Information Technology Division (ITD), who were Measure Y 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 Y, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure Y were based on actual time spent on Measure Y related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
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.

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, the results of our tests indicated that payroll expenditures were based on time associated with actual activities performed on Measure Y, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified that payroll expenditures charged to Measure Y were based on actual time spent on Measure Y related activities.

d. Procedures Performed

We selected a total of 98 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 Y’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 Y 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 Y’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 Y 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.

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusion

We identified a total of 4 transfers out of the selected 98 sampled transfers represents non-payroll expenditures, and 1 transfer out of the selected 98 sampled transfers represents employee payroll expenditures which originally were charged outside of Measure Y and the District Bonds Fund, and therefore are subject to the above procedures. The remaining 93 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.

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 Y funds.

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

2. PROCUREMENT OF CONSTRUCTION CONTRACTS

Objective

Determine that the District 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 Y.

Procedures Performed

We selected 1 Goods and Supplies Contract to determine the District procured the contract in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contract:

- 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 that 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 Goods and Supplies Contract in accordance with the District's Procurement Manual.

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

No matters were reported.

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

MY-2019-001 – 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 Y against actual time spent on Measure Y related activities.
- Establish controls in place to properly track an employee's time who has been assigned to work on both bond and non-bond activities.

Views of Responsible Officials and Planned Corrective Actions

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

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

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

Current Status

Partially implemented.

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

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

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



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

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure Q General Obligation Bonds.....	3
Objectives, Scope, Methodology and Conclusions.....	4
Schedule of Findings and Responses.....	17
Schedule of Prior Year Findings and Responses.....	21



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Independent Auditor's Report

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

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

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

Los Angeles, California
June 3, 2021

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

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

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

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

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

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

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

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

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

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

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

2. Procurement of Construction Contracts

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

3. New Projects

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

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

Scope

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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 Q, Fund 215, as of June 30, 2020.

Conclusion

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

b. Procedures Performed

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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 60 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$6.2 million or 9% of the total population of payroll expenditures. We performed the following procedures:

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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.

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

d. Procedures Performed

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

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

Conclusions

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

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

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

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

2. PROCUREMENT OF CONSTRUCTION CONTRACTS

Objective

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

Scope

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

Procedures Performed

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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.

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

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

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

2. PROCUREMENT OF CONSTRUCTION CONTRACTS *(continued)*

Procedures Performed *(continued)*

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

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

Conclusions

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

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

3. NEW PROJECTS

Objective

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

Scope

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

a. Procedures Performed

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

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

Conclusion

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

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

3. NEW PROJECTS *(continued)*

b. Procedures Performed

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

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

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

3. NEW PROJECTS *(continued)*

Conclusion

Enterprise Help Desk Project

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

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

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

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

Distance Learning Project

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

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

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

3. NEW PROJECTS *(continued)*

Conclusion *(continued)*

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

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

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

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

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

Criteria

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

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

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

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

Condition

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

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

Cause and Effect

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

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

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

MQ-2020-002 – Payroll Expenditure Charges

Criteria

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

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

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

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

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

Condition

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

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

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

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

Cause and Effect

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

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

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

Current Status

Partially implemented.

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

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

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

MQ-2019-002 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

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

Current Status

Partially implemented.

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

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