

LOS ANGELES UNIFIED SCHOOL DISTRICT

Proposition BB, Measure K, Measure R, Measure Y,
and Measure Q School Bond Construction Programs
Audited Financial Statements
Year Ended June 30, 2021



LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Year Ended June 30, 2021

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles Unified School District's (the District), **District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds)** as of and for the year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Los Angeles Unified School District's (the District), District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds) as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of the District Bond Funds specific to the Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds, and do not purport to, and do not, present fairly the financial position of the Los Angeles Unified School District, as of June 30, 2021, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds) financial statements. The statement of bond expenditures is presented for purposes of additional analysis and is not a required part of the financial statements.

The statement of bond expenditures and related notes on pages 18 to 19 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of sources and uses of funds and fund balance and related notes on pages 20 to 22, and the schedule of bond expenditures and related notes on pages 23 to 29, have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
March 17, 2022

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LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Balance Sheet
Year Ended June 30, 2021
(in thousands)

	<u>Proposition BB</u>	<u>Measure K</u>	<u>Measure R</u>	<u>Measure Y</u>	<u>Measure Q</u>	<u>Total District Bond Funds</u>
Assets						
Cash in county treasury, in banks, and on hand	\$ 3,592	\$ 200,005	\$ 37,636	\$ 64,232	\$ 1,368,285	\$ 1,673,750
Accrued interest receivable	8	351	103	150	3,193	3,805
Prepays	-	223	-	-	-	223
Total Assets	<u>3,600</u>	<u>200,579</u>	<u>37,739</u>	<u>64,382</u>	<u>1,371,478</u>	<u>1,677,778</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflow of Resources	<u>3,600</u>	<u>200,579</u>	<u>37,739</u>	<u>64,382</u>	<u>1,371,478</u>	<u>1,677,778</u>
Liabilities and Fund Balances						
Vouchers and accounts payable	81	2,360	419	379	23,356	26,595
Contracts payable	5	1,518	473	297	82,704	84,997
Accrued payroll	2	130	16	59	4,946	5,153
Other payables	-	182	352	1,366	4,360	6,260
Total Liabilities	<u>88</u>	<u>4,190</u>	<u>1,260</u>	<u>2,101</u>	<u>115,366</u>	<u>123,005</u>
Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances						
Nonspendable	-	223	-	396	-	619
Restricted	3,512	196,166	36,479	61,885	1,256,112	1,554,154
Total Fund Balances	<u>3,512</u>	<u>196,389</u>	<u>36,479</u>	<u>62,281</u>	<u>1,256,112</u>	<u>1,554,773</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,600</u>	<u>\$ 200,579</u>	<u>\$ 37,739</u>	<u>\$ 64,382</u>	<u>\$ 1,371,478</u>	<u>\$ 1,677,778</u>

See accompanying notes to financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021
(in thousands)

	<u>Proposition BB</u>	<u>Measure K</u>	<u>Measure R</u>	<u>Measure Y</u>	<u>Measure Q</u>	<u>Total District Bond Funds</u>
Revenues						
Other local revenues	\$ 23	\$ 827	\$ 366	\$ 484	\$ 8,746	\$ 10,446
Total Revenues	<u>23</u>	<u>827</u>	<u>366</u>	<u>484</u>	<u>8,746</u>	<u>10,446</u>
Expenditures						
Current						
Classified salaries	95	152	589	47	46,386	47,269
Employee benefits	45	67	280	19	22,295	22,706
Books and supplies	17	877	50	137	11,795	12,876
Services and other operating expenditures	791	1,695	1,351	5,219	20,757	29,813
Capital outlay	61	16,837	6,970	1,820	562,574	588,262
Total Expenditures	<u>1,009</u>	<u>19,628</u>	<u>9,240</u>	<u>7,242</u>	<u>663,807</u>	<u>700,926</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(986)</u>	<u>(18,801)</u>	<u>(8,874)</u>	<u>(6,758)</u>	<u>(655,061)</u>	<u>(690,480)</u>
Other Financing Sources (Uses)						
Transfers in	-	72,064	2,509	780	194,680	270,033
Transfers out	(8)	(759)	(45,662)	(47,450)	(48,797)	(142,676)
Issuance of bonds	-	-	-	-	1,057,060	1,057,060
Total Other Financing Sources (Uses)	<u>(8)</u>	<u>71,305</u>	<u>(43,153)</u>	<u>(46,670)</u>	<u>1,202,943</u>	<u>1,184,417</u>
Net Changes in Fund Balances	(994)	52,504	(52,027)	(53,428)	547,882	493,937
Fund Balances, July 1, 2020, Restated*	4,506	143,885	88,506	115,709 *	708,230	1,060,836
Fund Balances, June 30, 2021	<u>\$ 3,512</u>	<u>\$ 196,389</u>	<u>\$ 36,479</u>	<u>\$ 62,281</u>	<u>\$ 1,256,112</u>	<u>\$ 1,554,773</u>

See accompanying notes to financial statements.

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LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

(1) Summary of Significant Accounting Policies

The Los Angeles Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The following summary of the more significant accounting policies of the District is provided to assist the reader in interpreting the financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

(a) Reporting Entity

The District is primarily responsible for all activities related to K-12 public education in most of the western section of Los Angeles County, State of California. The governing authority, as designated by the State Legislature, consists of seven elected officials who together constitute the Board of Education (Board). Those organizations, functions, and activities (component units) for which the Board has accountability comprise the District's reporting entity.

On April 8, 1997, Los Angeles voters authorized \$2.400 billion in general obligation bonds (Proposition BB) for various purposes including health and safety improvements, computer technology and science labs, air conditioning and new construction. The proposition was approved by 71% of the voters.

On November 5, 2002, Los Angeles voters authorized \$3.350 billion in general obligation bonds (Measure K) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities. The measure was approved by 68% of the voters.

On March 2, 2004, Los Angeles voters authorized \$3.870 billion in general obligation bonds (Measure R) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities and installation and upgrading of information-technology infrastructure. The measure was approved by 63% of the voters.

On November 8, 2005, Los Angeles voters authorized \$3.985 billion in general obligation bonds (Measure Y) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities and installation and upgrading of information-technology infrastructure. The measure was approved by 66% of the voters.

On November 4, 2008, Los Angeles voters authorized \$7.000 billion in general obligation bonds (Measure Q) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities and installation and upgrading of information-technology infrastructure. The measure was approved by 69% of the voters.

On November 3, 2020, Los Angeles voters authorized \$7.000 billion in general obligation bonds (Measure RR) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities and implementing COVID-19 facility safety standards. The measure was approved by 71% of the voters. No financial statements are presented for Measure RR because no issuance has been made as of June 30, 2021.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

The Statements are presented for the individual Proposition BB, and Measures K, R, Y, and Q General Obligation Bonds of the District, consisting of Election of 1997, Series A, B, C, D, E, and F, Election of 2002, Series A, B, C, and D, Election of 2004, Series A, B, C, D, E, F, G, H, I, J, and K, Election 2005, Series A, B, C, D, E, F, G, H, I, J-1, J-2, K, L, M-1, and M-2, Election 2008, Series A, B-1, and B-2, and multi-measure issuances Series KRY (2009), KRY (BABs, 2010), KRY (Tax-exempt, 2010), KY (2010), and RYQ (2020).

(b) *Measurement Focus and Basis of Accounting*

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. “Available” means collectible within the current period (i.e. 60 days) or soon enough thereafter to pay current liabilities. Application of the “susceptibility to accrual” criteria requires consideration of the materiality of the item in question and due regard for the practicality of accrual, as well as consistency in application.

Expenditures for the governmental funds are generally recognized when the related fund liability is incurred, except debt service expenditures and expenditures related to compensated absences which are recognized when payment is due.

(c) *Financial Statement Presentation*

The financial statements include the activity and balances of the Proposition BB and Measures K, R, Y, and Q General Obligation Bonds, only. These financial statements are not intended to present the financial position and results of operations of the District as a whole.

(d) *Fund Accounting*

The District’s accounting system is organized and operated on the basis of funds. Fund Accounting emphasizes accountability rather than profitability. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

(e) *Budgetary Control and Encumbrances*

School districts in California are required by Education Code Section 41010 to follow the *California School Accounting Manual* in preparing reports to the State. The District utilizes a single adoption budget schedule that requires Final Budget adoption by the State-mandated July 1 deadline. The District is allowed to modify its adopted budget within 45 days of the passage of the State budget. In addition, the District revises the budget during the year to give consideration to unanticipated revenues and expenditures.

In accordance with the District’s Board policy, management has the authority to make routine transfers of budget appropriations among major categories within a fund. Routine budget transfers are summarized and periodically reported to the Board for ratification. Nonroutine transfers may not be processed without prior Board approval.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds. The District employs budgetary control by minor (sub) object and by individual program accounts. Expenditures may not legally exceed budgeted appropriations by major object level

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

as follows: Classified Salaries, Employee Benefits, Books and Supplies, Services and Other Operating Expenditures, Capital Outlay, Other Outgo, and Other Financing Uses.

The District utilizes an encumbrance system for all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or liabilities are incurred. All encumbrances expire at June 30. Appropriation authority lapses at the end of the fiscal year.

(f) *Cash and Investments*

Cash includes amounts in demand deposits with the Los Angeles County Treasury and various financial institutions, imprest funds for schools and offices, and cafeteria change funds. The District maintains some cash deposits with various banking institutions for collection clearing, check clearing, or revolving fund purposes. The District also maintains deposit accounts held by various trustees for the acquisition or construction of capital assets, for the repayment of long-term debts, and for the payment of other postemployment benefits.

In accordance with State Education Code Section 41001, the District deposits virtually all of its cash with the Treasurer of the County of Los Angeles. The District's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investment in the pool during the allocation period.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All District investments are stated at fair value based on quoted market prices.

(g) *Contracts Payable*

Contracts payable includes only the portion applicable to work completed and unpaid as of June 30, 2021.

(h) *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses in the accompanying financial statements. Actual results may differ from those estimates.

(i) *Restatement*

The District discovered an error in the reversal of accrual in a prior year. The beginning Fund Balance of Measure Y has been restated to correct this reporting error. The Fund Balance of Measure Y as of July 1, 2020, has been decreased by \$2.181 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

The following table illustrates the correction of the error as shown on the District’s Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance (in thousands):

<u>Measure Y Restatement Schedule:</u>	
Fund Balance at beginning of year, as previously reported	\$ 117,890
Restatement - see note above	<u>(2,181)</u>
Fund Balance at beginning of year, Restated	\$ 115,709
Change in Fund Balance	<u>(53,428)</u>
Fund Balance at end of year	<u><u>\$ 62,281</u></u>

(2) Cash

Cash in county treasury, in banks, and on hand as of June 30, 2021 consist of the following (in thousands):

	<u>Proposition BB</u>	<u>Measure K</u>	<u>Measure R</u>	<u>Measure Y</u>	<u>Measure Q</u>
Deposits with financial institutions and Los Angeles County Pool	\$ 3,592	\$ 200,005	\$ 37,636	\$ 64,232	\$ 1,368,285
Total	<u>\$ 3,592</u>	<u>\$ 200,005</u>	<u>\$ 37,636</u>	<u>\$ 64,232</u>	<u>\$ 1,368,285</u>

Deposits with financial institutions include: (1) cash in the Los Angeles County Pooled Surplus Investment Fund (\$1,673.4 million); (2) cash deposited with various other financial institutions for imprest funds of schools and offices (\$0.4 million)

School districts are required by Education Code Section 41001 to deposit their funds with the county treasury. Cash in county treasury refers to the fair value of the District’s share of the Los Angeles County (County) Pooled Surplus Investment (PSI) Fund.

Except for investments by trustees of Certificates of Participation (COPs) proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from the website at <http://ttax.co.la.ca.us/>. The table below identifies some of the investment types permitted in the investment policy:

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Total Par Value</u>	<u>Maximum Par Value per Issuer</u>
A. Obligations of the U.S. government, its agencies and instrumentalities	None	None	None
B. Approved Municipal Obligations	5 to 30 years	10% of PSI portfolio	None
C. Asset-Backed Securities with highest ratings	5 years	20% of PSI portfolio	with credit rating limits
D. Bankers' Acceptances Domestic and Foreign	180 days	40% of PSI portfolio	with credit rating limits
E. Negotiable Certificates of Deposits – Domestic	3 years	30% of PSI portfolio	with credit rating limits
Negotiable Certificates of Deposits – Euro	1 year	10% of PSI portfolio	with credit rating limits
F. Corporate and Depository Notes	3 years	30% of PSI portfolio	with credit rating limits
G. Floating Rate Notes	7 years	10% of PSI portfolio	with credit rating limits
H. Commercial Paper of “prime” quality of the highest ranking or of the highest letter or number ranking as provided for by a nationally recognized statistical-rating organization (NRSRO)	270 days	40% of PSI portfolio	Lesser of 10% of PSI portfolio or credit rating limits
I. Shares of Beneficial Interest	None	15% of PSI portfolio with no more than 10% in any one fund	None
J. Repurchase Agreement	30 days	\$1 billion	\$500 million/dealer
K. Reverse Repurchase Agreement	1 year	\$500 million	\$250 million/broker
L. Forwards, Futures and Options	90 days	\$100 million	\$50 million/counterparty
M. Interest-Rate Swaps in conjunction with approved bonds and limited to highest credit rating categories	None	None	None
N. Securities Lending Agreement	180 days	20% of base portfolio value (combined total value of reverse repurchase agreements and securities lending)	None
O. Supranationals in accordance with Gov. Code 53601(q)	5 years	30% of PSI portfolio	with credit rating limits

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

Interest rate risk is the risk involved with fluctuations of interest rates that may adversely affect the fair value of the investments. The County's investment guidelines target the weighted average maturity of its portfolio to a range between 1.0 and 2.0 years. As of June 30, 2021, 63.34% of district funds in the County PSI Fund does not exceed one year. In addition, variable-rate notes that comprised 0.01% of the County PSI Fund and other investments portfolio are tied to periodic coupon resets eliminating interest-rate risk by repricing back to par value at each reset date.

Credit risk means the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, as measured by assignment of a rating by a nationally recognized statistical rating organization. This County's investment guidelines establish minimum acceptable credit ratings issued by any three nationally recognized statistical rating organizations. For short term and long-term debt issuers, the rating must be no less than A1 from Standard & Poor's (S&P), P-1 from Moody's Investors Service (Moody's), or F1 from Fitch Ratings (Fitch). The County PSI Fund is not rated.

Concentration of credit risk means the risk of loss attributed to the magnitude of an investment in a single issuer. For District funds in the County pool, the County's investment policy has concentration limits that provide sufficient diversification. As of June 30, 2021, the County did not exceed these limitations.

Custodial credit risk for deposits is the risk that in the event of failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash in the county treasury is not exposed to custodial credit risk since all county deposits are either covered by federal depository insurance or collateralized with securities held by the County. Deposits other than those with the County are also covered by federal depository insurance or collateralized at the rate of 110% of the deposits, although the collateral may not be held specifically in the District's name.

For COPs debt proceeds held by trustees, these may be placed in permitted investments outlined in the provisions of the trust agreements, as follows:

- A. Direct obligations of the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by specified federal agencies and backed by full or non-full faith and credit of USA;
- B. Money market mutual funds registered under Federal Investment Company Act of 1940 and Federal Securities Act of 1933 and subject to credit rating limits;
- C. Certificates of deposit and other forms of deposit with collateralization, fully insured by FDIC and subject to issuers' credit rating limits;
- D. Investment agreements and commercial papers subject to credit rating limits;
- E. Bonds or notes issued by any state or municipality and pre-refunded municipal bonds, subject to credit rating limits;
- F. Federal funds, bank deposits or bankers' acceptances with full FDIC insurance or subject to credit rating limits;
- G. Repurchase agreements subject to specified criteria and credit rating limits; and
- H. Los Angeles County Investment Pool.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

(3) Long Term Obligations

The General Obligation (GO) Bonds outstanding balance as of June 30, 2021 consists of the following (in thousands):

<u>Bond Issue</u>	<u>Sale Date</u>	<u>Original Principal Amount</u>	<u>Outstanding June 30, 2021</u>	<u>Interest Rates to Maturity</u>		<u>Final Maturity</u>
				<u>Min</u>	<u>Max</u>	
KRY (2009-BAB) ^(a)	10/15/2009	\$ 1,369,800	\$ 1,369,800	5.750%	5.755%	2034
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.540	1.540	2025
RY (2010-BAB) ^(a)	3/4/2010	1,250,585	1,250,585	6.758	6.758	2034
Election of 2005, J-1 (2010) ^(c)	5/6/2010	190,195	190,195	(b) 5.981	5.981	2027
Election of 2005, J-2 (2010) ^(c)	5/6/2010	100,000	100,000	(b) 5.720	5.720	2027
2011A-1 Refunding	11/1/2011	206,735	52,305	4.000	5.000	2023
2011A-2 Refunding	11/1/2011	201,070	131,825	5.000	5.000	2021
2012A Refunding	5/8/2012	156,000	79,965	2.000	5.000	2028
2014A Refunding	6/26/2014	196,850	39,990	5.000	5.000	2022
2014B Refunding	6/26/2014	323,170	126,165	5.000	5.000	2026
2014C Refunding	6/26/2014	948,795	767,245	3.000	5.000	2031
2014D Refunding	6/26/2014	153,385	115,040	5.000	5.000	2030
2015A Refunding	5/28/2015	326,045	218,260	5.000	5.000	2025
Election of 2008, A (2016)	4/5/2016	648,955	377,985	3.500	5.000	2040
2016A Refunding	4/5/2016	577,400	267,465	5.000	5.000	2030
2016B Refunding	9/15/2016	500,855	498,240	2.000	5.000	2032
2017A Refunding	5/25/2017	1,080,830	1,034,695	2.000	5.000	2027
Election of 2005, Series M-1 (2018)	3/8/2018	117,005	111,265	3.000	5.250	2042
Election of 2008, Series B-1 (2018)	3/8/2018	1,085,440	1,034,935	4.000	5.250	2042
2019A Refunding	5/29/2019	594,605	545,295	3.000	5.000	2034
Series RYQ (2020)	4/30/2020	942,940	829,000	4.000	5.000	2044
2020A Refunding	10/6/2020	302,000	302,000	3.000	5.000	2033
Measure Q, Series C (2020)	11/10/2020	1,057,060	907,190	3.000	5.000	2045
2021A Refunding	4/29/2021	196,310	196,310	4.000	5.000	2032
			<u>\$ 10,864,555</u>			*

* The total amount shown above excludes unamortized premium and discount of \$904.3 million.

(a) Issued under Build America Bonds (BABs), a taxable bond program for which the federal government initially subsidized 35% of the interest cost.

(b) Includes accumulated set-aside deposits for Qualified School Construction Bonds totaling \$154.87 million representing \$69.76 million for Election of 2005, H (2009) (Tax Credit Bonds) and \$85.11 million for Election of 2005, J-1 and J-2 (2010) (Federally Taxable Direct Subsidy Bonds).

(c) Issued as qualified school construction bonds, a taxable bond program in which the federal government initially subsidized interest as if such bonds bore interest at the applicable federal rate for such bonds of 5.72% per annum.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

The breakdown of the outstanding General Obligation Bonds by Proposition and Measure are:

Bond Issue	Outstanding June 30, 2021 by Proposition/Measure					
	BB	K	R	Y	Q	Total
KRY (2009-BAB) ^(a)	\$ -	\$ 200,000	\$ 363,005	\$ 806,795	\$ -	\$ 1,369,800
Election of 2005, H (2009)	-	-	-	318,800	-	318,800
RY (2010-BAB) ^(a)	-	-	477,630	772,955	-	1,250,585
Election of 2005, J-1 (2010) ^(c)	-	-	-	190,195	-	190,195
Election of 2005, J-2 (2010) ^(c)	-	-	-	100,000	-	100,000
2011A-1 Refunding	52,305	-	-	-	-	52,305
2011A-2 Refunding	-	131,825	-	-	-	131,825
2012A Refunding	-	46,370	33,595	-	-	79,965
2014A Refunding	39,990	-	-	-	-	39,990
2014B Refunding	-	126,165	-	-	-	126,165
2014C Refunding	-	-	767,245	-	-	767,245
2014D Refunding	-	-	-	115,040	-	115,040
2015A Refunding	218,260	-	-	-	-	218,260
Election of 2008, A (2016)	-	-	-	-	377,985	377,985
2016A Refunding	167,945	-	33,870	65,650	-	267,465
2016B Refunding	-	224,920	176,455	96,865	-	498,240
2017A Refunding	113,455	921,240	-	-	-	1,034,695
Election of 2005, Series M-1 (2018)	-	-	-	111,265	-	111,265
Election of 2008, Series B-1 (2018)	-	-	-	-	1,034,935	1,034,935
2019A Refunding	-	142,765	316,820	85,710	-	545,295
Series RYQ (2020)	-	-	31,650	160,010	637,340	829,000
2020A Refunding	-	112,350	113,150	76,500	-	302,000
Measure Q, Series C (2020)	-	-	-	-	907,190	907,190
2021A Refunding	25,785	6,430	-	-	164,095	196,310
	<u>\$ 617,740</u>	<u>\$ 1,912,065</u>	<u>\$ 2,313,420</u>	<u>\$ 2,899,785</u>	<u>\$ 3,121,545</u>	<u>\$ 10,864,555</u>

On October 6, 2020, the District issued \$302.0 million of 2020 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) to refund the outstanding General Obligation Bonds, Series KRY (2010) with an outstanding par amount of \$379.7 million. The Refunding Bonds received ratings of “AA+”, “AAA”, and “Aa3” from Fitch, KBRA, and Moody’s, respectively. The refunding generated net present value savings of \$124.1 million or 32.7% of the refunded bonds.

On November 10, 2020, the District issued \$1.057 billion of new money General Obligation Bonds, Measure Q, Series C (2020) (Dedicated Unlimited Ad Valorem Property Tax Bonds). The Bonds were rated “AA+” from Fitch, “AAA” from KBRA and “Aa3” from Moody’s. The Bonds were issued to finance school modernization and IT projects.

On April 29, 2021, the District issued \$196.31 million of 2021 General Obligation Refunding Bonds, Series A (Dedicated Unlimited Ad Valorem Property Tax Bonds) to refund bonds originally issued in 2011 and 2016 that had an aggregate par amount of \$240.1 million. The Refunding Bonds were sold via competitive bid with ratings of “AA+” from Fitch with a Negative Outlook, “AAA” from KBRA with a Stable Outlook, and “Aa3” from Moody’s with a Stable Outlook. The refunding generated net present value savings of \$64.48 million or 26.86% of the refunded bonds.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

(4) Debt Liquidation

Payments on the General Obligation Bonds are made through the District's debt service funds.

(5) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illness or injury to employees; and natural disasters.

Excess insurance has been purchased for physical property loss damages, which provides \$500.0 million limit above a \$1.0 million self-insured retention. Excess insurance has been purchased for general liability, which currently provides \$35.0 million limit above a \$5.0 million self-insurance retention. No settlements exceeded insurance coverage in the last five fiscal years that ended June 30, 2021.

The District has implemented an Owner Controlled Insurance Program (OCIP) covering new construction and renovation projects funded by school bonds. Under an OCIP, the District provides general liability and workers' compensation insurance coverage for construction contractors. Because contractors remove insurance costs from their bids, potential savings accrue to the District. Under the District's OCIP program, workers' compensation coverage with statutory limits and primary general liability and excess liability coverage with limits of \$102.0 million have been underwritten by six major insurance carriers.

The District has also purchased contractors' pollution liability insurance coverage for the construction program. The policy protects contractors and the District from losses resulting from pollution liability related incidents occurring during construction. The policy provides optional coverage to ensure that site cleanup cost overruns are not borne by the District. The limits of coverage on the cleanup cost-cap policy are variable by specific project. The total limit available on the other policies is \$50.0 million.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

(6) Interfund Transfers

These consist of transfers for exchange of services or reimbursement of expenditures. In addition, interfund transactions are also made to move revenue collected in one fund to another fund where the resources are spent or accounted for, in accordance with budgetary authorization through which resources are to be expended. Transfers between funds for the year ended June 30, 2021 were as follows (in thousands):

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	Building Fund – Measure K	Reimbursement of capital expenditures	\$ 51	
General Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	222	
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	88	
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	110	
Building Fund – Measure R	Building Fund – Measure Y	Reimbursement of capital expenditures	3	\$ 3
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	45,646	45,646
Building Fund – Measure R	County School Facilities - Prop 47	Reimbursement of capital expenditures		13
Building Fund – Bond Proceeds	Building Fund – Measure Q	Reimbursement of capital expenditures	8	8
Building Fund – Measure K	General Fund	Reimbursement of capital expenditures		0
Building Fund – Measure K	Building Fund – Measure R	Reimbursement of capital expenditures	393	393
Building Fund – Measure K	Building Fund – Measure Y	Reimbursement of capital expenditures	341	341
Building Fund – Measure K	Building Fund – Measure Q	Reimbursement of capital expenditures	13	13
Building Fund – Measure K	County School Facilities - Prop 47	Reimbursement of capital expenditures		1
Building Fund – Measure K	Special Reserve Fund	Reimbursement of capital expenditures		12
Building Fund – Measure Y	General Fund	Reimbursement of capital expenditures		52
Building Fund – Measure Y	Building Fund – Measure R	Reimbursement of capital expenditures	1,556	1,556
Building Fund – Measure Y	Building Fund – Measure K	Reimbursement of capital expenditures	2,296	2,296
Building Fund – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	43,433	43,433
Building Fund – Measure Y	County School Facilities - Prop 47	Reimbursement of capital expenditures		101
Building Fund – Measure Y	Special Reserve Fund	Reimbursement of capital expenditures		11
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures		17,259
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	15	15
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	50	50
Building Fund – Measure Q	Building Fund – Measure Y	Reimbursement of capital expenditures	90	90
Building Fund – Measure Q	Capital Facilities Fund	Reimbursement of capital expenditures		5,000
Building Fund – Measure Q	County School Facilities - Prop 47	Reimbursement of capital expenditures		26,307
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures		76
Capital Facilities Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	39	
Capital Facilities Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	97,315	
Capital Facilities Fund	County School Facilities - Prop 47	Reimbursement of capital expenditures	-	
County School Facilities - Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	497	
County School Facilities - Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	69,461	
County School Facilities - Prop 47	Building Fund – Measure Y	Reimbursement of capital expenditures	87	
County School Facilities - Prop 47	Building Fund – Measure Q	Reimbursement of capital expenditures	5,242	
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	48	
Special Reserve Fund	Building Fund – Measure K	Reimbursement of capital expenditures	205	
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	2,825	
		Totals	<u>\$ 270,033</u>	<u>\$ 142,676</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

(7) Fund Equity

The following is a summary of fund balances at June 30, 2021 (in thousands):

	<u>Proposition BB</u>	<u>Measure K</u>	<u>Measure R</u>	<u>Measure Y</u>	<u>Measure Q</u>
Nonspendable:					
Revolving cash and imprest funds	\$ —	\$ —	\$ —	\$ 396	\$ —
Prepays	—	223	—	—	—
Total Nonspendable Balances	<u>—</u>	<u>223</u>	<u>—</u>	<u>396</u>	<u>—</u>
Restricted for:					
District Bonds	3,512	196,166	36,479	61,885	1,256,112
Total Restricted Balances	<u>3,512</u>	<u>196,166</u>	<u>36,479</u>	<u>61,885</u>	<u>1,256,112</u>
Total Fund Balances	<u>\$ 3,512</u>	<u>\$ 196,389</u>	<u>\$ 36,479</u>	<u>\$ 62,281</u>	<u>\$ 1,256,112</u>

Non spendable fund balances represent amounts that cannot be spent either because they are in Non spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balances represent amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

(8) Contingencies and Commitments

(a) General

The District, as well as current and former Board Members and employees to whom the District has defense and indemnification responsibilities under the Government Code, has been named as defendants in numerous lawsuits, administrative proceedings and arbitrations. These seek, among other things, to require the District to cease its Covid mitigating measures (e.g., vaccine mandate, masking, testing, etc.), to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education services/schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

Year Ended June 30, 2021

many proceedings, monetary damages are sought including, for example, claims for retroactive pay and benefits and future pay and benefits. Based on the opinion of counsel, management believes that the ultimate outcome of such lawsuits will not have a material effect on the District's financial condition.

(b) *Construction Contracts*

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2020-2021 the District entered into approximately 45 contracts with a combined value of \$908.8 million. The durations of the contracts range from 60 days to six years.

LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Statement of Bond Expenditures
Year Ended June 30, 2021
(in thousands)

Cost Category	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Total District Bond Funds
Facilities Services Division Capital Programs						
New Construction	\$ -	\$ 1,435	\$ 741	\$ (1,503)	\$ -	\$ 673
School Modernization	1,017	14,346	41,783	31,682	565,706	654,534
Information Technology Network Upgrade	-	-	(1)	-	-	(1)
Adult and Career Education	-	-	57	(4)	604	657
Early Childhood Education	-	98	449	1,031	8,054	9,632
Charter Schools	-	393	345	873	10,094	11,704
Indirects	-	3,430	7,625	16,522	69,418	96,996
Total FSD Capital Programs	<u>1,017</u>	<u>19,702</u>	<u>50,999</u>	<u>48,602</u>	<u>653,876</u>	<u>774,195</u>
Information Technology Division Capital Programs						
Classroom Technology Modernization	-	-	22	-	-	22
School Network Modernization	-	717	3,773	2,377	4,206	11,073
Safety, Communications and Security Modernization	-	(32)	(215)	3,713	21,858	25,325
My Integrated Student Information System	-	-	-	-	2,154	2,154
Disaster Recovery & Business Continuity	-	-	-	-	2,471	2,471
Enterprise Software Systems	-	-	323	-	4,953	5,275
Total ITD Capital Programs	<u>-</u>	<u>685</u>	<u>3,903</u>	<u>6,090</u>	<u>35,642</u>	<u>46,320</u>
Transportation (Buses)	-	-	-	-	-	-
Library Services	-	-	-	-	-	-
Other Costs						
Cost of Issuance	-	-	-	-	815	815
Office of Bond Compliance	-	-	-	-	1,053	1,053
Office of Inspector General	-	-	-	-	4,638	4,638
Total Other Costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,506</u>	<u>6,506</u>
Other Financing Uses						
Transportation (Buses): Transfers Out to General Fund	-	-	-	-	16,581	16,581
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,581</u>	<u>16,581</u>
Total Expenditures	<u>\$ 1,017</u>	<u>\$ 20,387</u>	<u>\$ 54,902</u>	<u>\$ 54,692</u>	<u>\$ 712,604</u>	<u>\$ 843,602</u>

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Notes to Statement of Bond Expenditures
Year ended June 30, 2021

(1) 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.

The Proposition 39, *Smaller Classes, Safer Schools and Financial Accountability Act* (Prop 39) requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all 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, 2021, 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 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS**

Supplementary Schedule of Sources and Uses of Funds and Fund Balance
Period from Inception through June 30, 2021
(in thousands)
(unaudited)

	Proposition BB
Voter Approved Bond Authorization	\$ 2,400,000
Date of Election	4/8/1997
 Sources of funds	
Bonds issued	\$ 2,400,000
Adjustments - bond premium and cost of issuance/ underwriter's discount	
Interest income	177,839
Federal income	
Local income	1,967
Other financing sources - transfers in	208,518
Total sources of funds	2,788,324
 Uses of funds	
Facilities Services Division Capital Programs	2,761,476
Information Technology Division Capital Programs	
Library Services	
Transportation (Buses)	
Other costs	7,991
Other financing uses - transfers out	15,345
Total uses of funds	2,784,812
 Fund balance, June 30, 2021	 \$ 3,512

See accompanying notes to statement of bond expenditures.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS**

Supplementary Schedule of Sources and Uses of Funds and Fund Balance

Period from Inception through June 30, 2021

(in thousands)

(unaudited)

(continued)

Measure K	Measure R	Measure Y	Measure Q	Total District Bond Funds
\$ 3,350,000 11/5/2002	\$ 3,870,000 3/2/2004	\$ 3,985,000 11/8/2005	\$ 7,000,000 11/4/2008	\$ 20,605,000
\$ 3,350,000	\$ 3,746,010	\$ 3,914,850	\$ 3,650,955	\$ 17,061,815
4,370	8,635	5,948	0	18,953
156,802	153,826	103,407	45,854	637,728
	1,752			1,752
1,504	44,929	37,038	2,234	87,672
780,394	1,009,500	534,412	547,744	3,080,568
<u>4,293,070</u>	<u>4,964,652</u>	<u>4,595,655</u>	<u>4,246,787</u>	<u>20,888,488</u>
3,909,373	4,191,332	3,885,196	2,641,189	17,388,566
128,671	494,154	183,147	258,901	1,064,873
37,949	51,402	3,934		93,285
		23,673		23,673
20,688	34,926	53,935	26,867	144,407
	156,359	383,489	63,718	618,911
<u>4,096,681</u>	<u>4,928,173</u>	<u>4,533,374</u>	<u>2,990,675</u>	<u>19,333,715</u>
<u>\$ 196,389</u>	<u>\$ 36,479</u>	<u>\$ 62,281</u>	<u>\$ 1,256,112</u>	<u>\$ 1,554,773</u>

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Supplementary Schedule of Sources and Uses of Funds and Fund Balance
Period from Voter Approval to June 30, 2021
(Unaudited)

(1) **Basis of Presentation**

The accompanying unaudited supplementary schedule of sources and uses of funds and fund balance has been prepared in conformity with U.S. generally accepted accounting principles. The accompanying unaudited supplementary schedule of sources and uses of funds and fund balance 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 audit of the expenditures of proceeds from the sale of school facilities bonds until all the proceeds have been expended. Accordingly, the unaudited supplementary schedule of sources and uses of funds and fund balance includes all amounts received and expended using bond proceeds regardless of expenditure types, from voter approval.

a) Sources of Funds

The amounts included under sources of funds include all funds received from various sources, including bonds issued, interest income, local sources, and transfers from other funds since voter approval.

b) Uses of Funds

The amounts included under uses of funds in the accompanying supplementary schedule of sources and uses of funds and fund balance represent actual expenditures paid and accrued by the District for the period from voter approval through June 30, 2021, adjusted by discounts received from the vendors. The major cost categories in the unaudited supplementary schedule of sources and uses of funds and fund balance represent bond programs funded by the bond.

Other financing uses – transfers out 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.

c) Fund Balance

The amounts included as Fund Balance in the accompanying supplementary schedule of sources and uses of funds and fund balance represent the difference between the sources and uses of funds through June 30, 2021.

The beginning Fund Balance for Measure Y was restated, refer to the Notes to the Financial Statements (Note 1(i)) for further details.

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

Supplementary Schedule of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2021
(in thousands)
(unaudited)

<u>Cost Category</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures Incurred</u>			<u>Unexpended Balance</u>
		<u>April 8, 1997 (Inception) through June 30, 2020</u>	<u>Expenditures Year Ended June 30, 2021</u>	<u>Total Expenditures through June 30, 2021</u>	
Facilities Services Division					
Capital Programs					
New Construction	\$ 826,324	\$ 823,214	\$ -	\$ 823,214	\$ 3,110
School Modernization	1,922,429	1,921,400	1,017	1,922,417	12
Charter Schools	116	103	-	103	13
Indirects	16,119	15,742	-	15,742	377
Total FSD Capital Programs	<u>2,764,988</u>	<u>2,760,459</u>	<u>1,017</u>	<u>2,761,476</u>	<u>3,512</u>
Other Costs					
Employee Benefits	3,100	3,100	-	3,100	-
Cost of Issuance	1,141	1,141	-	1,141	-
Office of Inspector General	3,750	3,750	-	3,750	-
Total Other Costs	<u>7,991</u>	<u>7,991</u>	<u>-</u>	<u>7,991</u>	<u>-</u>
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	15,345	15,345	-	15,345	-
Total Other Financing Uses	<u>15,345</u>	<u>15,345</u>	<u>-</u>	<u>15,345</u>	<u>-</u>
Total Bond Expenditures and Other Financing Uses	<u><u>\$ 2,788,324</u></u>	<u><u>\$ 2,783,795</u></u>	<u><u>\$ 1,017</u></u>	<u><u>\$ 2,784,812</u></u>	<u><u>\$ 3,512</u></u>

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**

Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (Inception) through June 30, 2021
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 5, 2002 (Inception) through June 30, 2020	Expenditures Year Ended June 30, 2021	Total Expenditures through June 30, 2021	
Facilities Services Division					
Capital Programs					
New Construction	\$ 2,975,966	\$ 2,877,412	\$ 1,435	\$ 2,878,847	\$ 97,119
School Modernization	841,351	731,442	14,346	745,788	95,563
Early Childhood Education	80,000	76,846	98	76,944	3,056
Charter Schools	53,500	52,558	393	52,951	549
Indirects	154,843	151,413	3,430	154,843	-
Total FSD Capital Programs	<u>4,105,660</u>	<u>3,889,671</u>	<u>19,702</u>	<u>3,909,373</u>	<u>196,287</u>
Information Technology Division					
Capital Programs					
Virtual Learning Complex Planning	1,910	1,891	-	1,891	19
School Network Modernization	120,853	120,136	717	120,853	-
Safety, Communications and Security Modernization	5,959	5,959	(32)	5,927	32
Total ITD Capital Programs	<u>128,722</u>	<u>127,986</u>	<u>685</u>	<u>128,671</u>	<u>51</u>
Library Services	38,000	37,949	-	37,949	51
Other Costs					
Employee Benefits	3,780	3,780	-	3,780	-
Cost of Issuance	5,658	5,658	-	5,658	-
Office of Inspector General	11,250	11,250	-	11,250	-
Total Other Costs	<u>20,688</u>	<u>20,688</u>	<u>-</u>	<u>20,688</u>	<u>-</u>
Total Bond Expenditures and Other Financing Uses	<u>\$ 4,293,070</u>	<u>\$ 4,076,294</u>	<u>\$ 20,387</u>	<u>\$ 4,096,681</u>	<u>\$ 196,389</u>

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**

Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (Inception) through June 30, 2021
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		March 2, 2004 (Inception) through June 30, 2020	Expenditures Year Ended June 30, 2021	Total Expenditures through June 30, 2021	
Facilities Services Division Capital Programs					
New Construction	\$ 1,818,855	\$ 1,802,690	\$ 741	\$ 1,803,431	\$ 15,424
School Modernization	1,987,950	1,946,074	41,783	1,987,857	93
Information Technology					
Network Upgrade	303	303	(1)	302	1
Adult and Career Education	25,000	24,613	57	24,670	330
Early Childhood Education	94,196	83,670	449	84,119	10,077
Charter Schools	71,885	69,226	345	69,571	2,314
Indirects	221,939	213,757	7,625	221,382	557
Total FSD Capital Programs	<u>4,220,128</u>	<u>4,140,333</u>	<u>50,999</u>	<u>4,191,332</u>	<u>28,796</u>
Information Technology Division Capital Programs					
Classroom Technology Modernization	154,180	152,035	22	152,058	2,122
School Network Modernization	257,523	250,807	3,773	254,580	2,943
Safety, Communications and Security					
Modernization	10,886	10,366	(215)	10,151	735
My Integrated Student Information System	53,966	53,966	-	53,966	1
Disaster Recovery & Business Continuity	21,335	21,335	-	21,335	-
Enterprise Software Systems	2,065	1,742	323	2,064	-
Total ITD Capital Programs	<u>499,955</u>	<u>490,251</u>	<u>3,903</u>	<u>494,154</u>	<u>5,801</u>
Library Services	53,000	51,402	-	51,402	1,598
Other Costs					
Employee Benefits and Other					
Post-Employment Benefits	11,065	11,065	-	11,065	-
Cost of Issuance	13,704	13,704	-	13,704	-
Office of Bond Compliance	436	157	-	157	279
Office of Inspector General	10,000	10,000	-	10,000	-
Total Other Costs	<u>35,205</u>	<u>34,926</u>	<u>-</u>	<u>34,926</u>	<u>279</u>
Other Financing Uses					
COPs Defeasance: Transfers Out					
to Debt Service Fund	150,000	149,995	-	149,995	5
Reimbursements: Transfers Out					
to Special Reserve Fund	1,752	1,752	-	1,752	-
Information Technology Initiative					
Transfers Out to Special Reserve Fund	4,612	4,612	-	4,612	-
Total Other Financing Uses	<u>156,364</u>	<u>156,359</u>	<u>-</u>	<u>156,359</u>	<u>5</u>
Total Bond Expenditures and Other Financing Uses	<u>\$ 4,964,652</u>	<u>\$ 4,873,271</u>	<u>\$ 54,902</u>	<u>\$ 4,928,173</u>	<u>\$ 36,479</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

Supplementary Schedule of Bond Expenditures
 Period from November 8, 2005 (Inception) through June 30, 2021
 (in thousands)
 (unaudited)

Cost Category	Actual Expenditures Incurred				Unexpended Balance
	Adjusted Budget	Inception through June 30, 2020	Expenditures Year Ended June 30, 2021	Total Expenditures through June 30, 2021	
Facilities Services Division Capital Programs					
New Construction	\$ 2,390,647	\$ 2,350,936	\$ (1,502)	\$ 2,349,434	\$ 41,213
School Modernization	1,162,572	1,130,358	31,682	1,162,040	532
Information Technology					
Network Upgrade	165,294	164,029	-	164,029	1,265
Adult and Career Education	70,486	68,085	(4)	68,081	2,405
Early Childhood Education	34,313	33,228	1,031	34,259	54
Charter Schools	50,000	47,294	873	48,167	1,833
Indirects	59,189	42,664	16,522	59,186	3
Total FSD Capital Programs	<u>3,932,501</u>	<u>3,836,594</u>	<u>48,602</u>	<u>3,885,196</u>	<u>47,305</u>
Information Technology Division Capital Programs					
Virtual Learning Complex Planning	2,030	1,879	-	1,879	151
Classroom Technology Modernization	20,558	20,489	-	20,489	69
School Network Modernization	133,192	126,028	2,377	128,405	4,787
Safety, Communications and Security Modernization	30,317	23,699	3,713	27,412	2,905
Enterprise Software Systems	8,962	4,962	-	4,962	4,000
Total ITD Capital Programs	<u>195,059</u>	<u>177,057</u>	<u>6,090</u>	<u>183,147</u>	<u>11,912</u>
Transportation	25,000	23,673	-	23,673	1,327
Library Services	5,000	3,934	-	3,934	1,066
Other Costs					
Employee Benefits and Other					
Post-Employment Benefits	25,281	25,281	-	25,281	-
Cost of Issuance	9,498	9,498	-	9,498	-
Office of Bond Compliance	2,827	2,156	-	2,156	671
Office of Inspector General	17,000	17,000	-	17,000	-
Total Other Costs	<u>54,606</u>	<u>53,935</u>	<u>-</u>	<u>53,935</u>	<u>671</u>
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	193,738	193,738	-	193,738	-
COPS Defeasance Cafeteria: Transfers Out to Special Reserve Fund Capital Outlay	20,554	20,554	-	20,554	-
COPS Defeasance ISIS: Transfers Out to Special Reserve Fund Capital Outlay	12,664	12,664	-	12,664	-
CIPR Cafeteria: Transfers Out to Cafeteria Fund	5,000	5,000	-	5,000	-
Transportation (Buses): Transfers Out to General Fund Restricted	3,461	3,461	-	3,461	-
CIPR Integrated Student Information Systems: Transfers Out to General Fund Restricted	26,400	26,400	-	26,400	-
Deferred Maintenance Match: Transfers Out to General Fund Restricted	120,000	120,000	-	120,000	-
Transfers Out to General Fund	1,672	1,672	-	1,672	-
Total Other Financing Uses	<u>383,489</u>	<u>383,489</u>	<u>-</u>	<u>383,489</u>	<u>-</u>
Total Bond Expenditures and Other Financing Uses	<u>\$ 4,595,655</u>	<u>\$ 4,478,682</u>	<u>\$ 54,692</u>	<u>\$ 4,533,374</u>	<u>\$ 62,281</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

Supplementary Schedule of Bond Expenditures
 Period from November 4, 2008 (Inception) to June 30, 2021
 (in thousands)
 (unaudited)

<u>Cost Category</u>	<u>Adjusted Budget</u>	<u>Actual Expenditures Incurred</u>		<u>Total Expenditures through June 30, 2021</u>	<u>Unexpended Balance</u>
		<u>November 4, 2008 (Inception) through June 30, 2020</u>	<u>Expenditures Year Ended June 30, 2021</u>		
Facilities Services Division Capital Programs					
New Construction	\$ 295,096	\$ 15,178	\$ -	\$ 15,178	\$ 279,918
School Modernization	2,859,408	1,503,228	565,706	2,068,934	790,474
Adult and Career Education	20,559	19,954	604	20,558	1
Early Childhood Education	17,997	9,878	8,054	17,932	65
Charter Schools	77,329	67,229	10,094	77,323	6
Indirects	441,606	371,846	69,418	441,264	342
Total FSD Capital Programs	<u>3,711,995</u>	<u>1,987,313</u>	<u>653,876</u>	<u>2,641,189</u>	<u>1,070,806</u>
Information Technology Division Capital Programs					
Classroom Technology Modernization	25,356	15,569	-	15,569	9,787
School Network Modernization	66,090	6,569	4,206	10,775	55,315
Safety, Communications and Security Modernization	98,945	4,799	21,858	26,657	72,288
My Integrated Student Information System	119,971	117,479	2,154	119,633	338
Cafeteria Management System					
- Point of Sale Technology Upgrade	6,300	5,772	-	5,773	527
Disaster Recovery & Business Continuity	51,435	36,355	2,471	38,825	12,610
Enterprise Software Systems	64,004	36,717	4,953	41,669	22,335
Total ITD Capital Programs	<u>432,101</u>	<u>223,260</u>	<u>35,642</u>	<u>258,901</u>	<u>173,200</u>
Other Costs					
Cost of Issuance	2,604	1,789	815	2,604	-
Office of Chief Financial Officer	12,740	3,996	-	3,996	8,744
Office of Bond Compliance	1,052	-	1,052	1,052	-
Office of Inspector General	22,577	14,577	4,638	19,215	3,362
Total Other Costs	<u>38,973</u>	<u>20,362</u>	<u>6,505</u>	<u>26,867</u>	<u>12,106</u>
Other Financing Uses					
School Upgrade Program Transfers					
Out to Cafeteria Fund - Upgrade					
Food Services Kitchen Equipment	483	483	-	483	-
Transfers Out to General Fund					
- Transportation	33,235	16,654	16,581	33,235	-
Transfers Out to General Fund - Routine					
Restricted General Maintenance	30,000	30,000	-	30,000	-
Total Other Financing Uses	<u>63,718</u>	<u>47,137</u>	<u>16,581</u>	<u>63,718</u>	<u>-</u>
Total Bond Expenditures and Other Financing Uses	<u>\$ 4,246,787</u>	<u>\$ 2,278,072</u>	<u>\$ 712,604</u>	<u>\$ 2,990,675</u>	<u>\$ 1,256,112</u>

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Notes to Supplementary Schedule of Bond Expenditures
Period from Inception to June 30, 2021
(Unaudited)

(1) 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. Prop 39 requires an annual, independent audit of the expenditures of proceeds from the sale of school facilities bonds until all 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 supplementary schedule of bond expenditures represent the prior year expenditures from inception through June 30, 2020, and fiscal year 2020-21 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 supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from inception through June 30, 2021, 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 supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2021 column.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Notes to Supplementary Schedule of Bond Expenditures
Period from Inception to June 30, 2021
(Unaudited)

(1) Basis of Presentation (continued)

d) Cost Category

The major cost categories in the unaudited supplementary schedule of bond expenditures from inception 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.

e) Restatement

The District determined that an error in the reversal of accrual in a prior year. The Actual Expenditures Incurred Inception through June 30, 2020 of Measure Y has been restated to correct this reporting error. The Actual Expenditures Incurred Inception through June 30, 2020 of Measure Y as of July 1, 2020 has been increased by \$2.181 million.

The following table illustrates the cumulative effect of the change in accounting principles as shown on the face of the District’s Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance (in thousands):

<u>Measure Y Restatement Schedule:</u>	
Actual Expenditures Incurred through June 30, 2020, as previously reported	\$ 1,132,539
Restatement - see note above	<u>(2,181)</u>
Actual Expenditures Incurred through June 30, 2020, Restated	\$ 1,130,358
Expenditures Year Ended June 30, 2021	<u>31,682</u>
Actual Expenditures Incurred through June 30, 2021	<u><u>\$ 1,162,040</u></u>

(2) 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.

INDEPENDENT AUDITOR'S REPORT



SIMPSON & SIMPSON
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles Unified School District's (the District), **District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds)** as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
March 17, 2022

**LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

No matters were reported.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

March 17, 2022

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

Members of the Board, Committee and Management:

In planning and performing our audit of the financial statements of the Los Angeles Unified School District's (the District), **District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, and Measure Q General Obligation Bonds)** as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Although not considered to be a significant deficiency or material weakness, we also noted a certain item during our audit, which we would like to bring to your attention. This comment is summarized in the following report to management on page 34. Our observation and recommendation has been discussed with appropriate members of management and is intended to strengthen internal controls and operating efficiency.

This communication is intended solely for the information and use of the Board of Directors, School Construction Bond Citizens' Oversight Committee, and District management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Current Year Management Letter Comments

Measure Y - ML-2021 - Contracts Payable

Condition

An accounting error was noted within the District's Measure Y District Bond Fund (Measure Y) capital outlay expenditure (expenditure) and contracts payable balances.

In our audit of the District's June 30, 2013, Comprehensive Annual Financial Report (CAFR), we identified an audit adjustment to reclassify accrued expenditures amounting to \$2.2M out of Measure Y and into the District's General Fund. This manual adjustment entailed clearing the expenditure and the contracts payable balances out of Measure Y and booking the expenditure and contracts payable balance in the General Fund.

The District correctly reflected this audit adjustment to Measure Y and the General Funds expenditure and contracts payable balances as of June 30, 2013, and the expenditure was ultimately paid out of the General Fund.

In the beginning of following fiscal year, as of June 30, 2014, in accordance with the District's accounting policies and procedures, all outstanding accruals carried over from the previous fiscal year are reversed to prevent the expenditure from being captured again in the year paid. The reversing entry entails debiting the contracts payable balance and crediting the expenditure balance in the amount of those accruals.

During this accrual reversal phase, the District erroneously recorded a reversal of \$2.2M against Measure Y, and not the General Fund where the costs were transferred to in the previous fiscal year. The impact of this error led to the expenditure and contracts payable balances being understated in the amount of \$2.2M as of June 30, 2014.

In subsequent fiscal years, leading up to June 30, 2020, Measure Y's contract payable balance continued to retain this debit entry in the amount of \$2.2M until the error was identified and corrected as of June 30, 2021.

The correction of this error is reflected in the Measure Y District Bond Funds financial statement audit in the form of a restatement to the beginning fund balance. Refer to footnote *1(i)* within that report.

Current Year Management Letter Comments

Recommendation

We recommend that the District strengthen its monitoring controls over accrual reversals to properly account for manual adjustments captured in the previous fiscal year. Additionally, we recommend the District strengthen its monitoring controls over contracts payable to identify debit balances being carried over from previous fiscal years to determine they represent Measure Y expenditures.

Management Response

The District agrees with the recommendation and will strengthen its monitoring controls over a) accrual reversals to properly account for manual adjustments captured on the previous fiscal year and b) the contracts payable clearing account to identify debit balances carried over from the previous fiscal years to determine they represent Measure Y expenditures. The District will implement increased communication between Accounting and the Facilities Services Division regarding related Measure Y contract payables and audit adjustment Year-End Closing activities.

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



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

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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, 2021.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit 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
March 17, 2022



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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
MEASURE K GENERAL OBLIGATION BONDS
June 30, 2021**

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, 2021**

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, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

The scope, methodology and conclusions of the above objective is enumerated in pages 5 through 10 of this report.

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure K funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period of July 1, 2020, to June 30, 2021. The population of expenditures tested includes object codes and specific projects associated with Measure K.

A total of \$20.4 million in expenditures were identified for fiscal year ended June 30, 2021, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 877
Services and other operating expenditures	1,695
Capital outlay	16,837
<i>Total non-payroll expenditures</i>	19,409
Payroll Expenditures:	
Classified salaries	152
Employee benefits	67
<i>Total payroll expenditures</i>	219
Other Financing Uses:	
Transfers out	759
<i>Total other financing uses</i>	759
Total Measure K Expenditures per AAFR - District Bonds Fund	\$ 20,387

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2021 in the AAFR. We extracted from the general ledger report all activities pertaining to Measure K, Fund 213, as of June 30, 2021.

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 54 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$8.9 million or 46% 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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 12 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$19,551 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 maintained a multi-funded timesheet, or
 - Sampled employees Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.1 dated July 1, 2016, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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.

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

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers contracts/agreements procured during the period of July 1, 2020, to June 30, 2021, in which the original funding strategy source assigned was Measure K.

Procedures Performed

We selected 7 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.

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

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

Procedures Performed *(continued)*

We selected a total of 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 for the 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.

Conclusion

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021**

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, 2021**

No matters were reported.

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



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

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2021.

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

Our audit was limited to the objectives listed on page 4 of this report which includes determining the District’s compliance with the performance requirements for the Proposition 39 Measure 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
March 17, 2022



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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
MEASURE R GENERAL OBLIGATION BONDS
June 30, 2021**

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, 2021**

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure R funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Agreements

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

The scope, methodology and conclusions of the above objectives are enumerated in pages 5 through 9 of this report.

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure R funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period of July 1, 2020, to June 30, 2021. The population of expenditures tested includes object codes and specific projects associated with Measure R.

A total of \$54.9 million in expenditures were identified for fiscal year ended June 30, 2021, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 50
Services and other operating expenditures	1,351
Capital outlay	6,970
<i>Total non-payroll expenditures</i>	8,371
Payroll Expenditures:	
Classified salaries	589
Employee benefits	280
<i>Total payroll expenditures</i>	869
Other Financing Uses:	
Transfers out	45,662
<i>Total other financing uses</i>	45,662
Total Measure R Expenditures per AAFR - District Bonds Fund	\$ 54,902

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2021, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure R, Fund 210, as of June 30, 2021.

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 50 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$2.2 million or 26% 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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

c. Procedures Performed

We selected a total of 14 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$167,147 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 maintained a multi-funded timesheet, or
 - Sampled employees Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.1 dated July 1, 2016, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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, 2021**

2. PROCUREMENT OF AGREEMENTS

Objective

Determine that the District 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, 2020, to June 30, 2021 in which the original funding strategy source assigned was Measure R.

Procedures Performed

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 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 R
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021**

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, 2021**

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

Implemented.

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



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

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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, 2021.

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

Our audit was limited to the objectives listed on page 4 of this report which includes determining the District’s compliance with the performance requirements for the Proposition 39 Measure 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
March 17, 2022



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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
MEASURE Y GENERAL OBLIGATION BONDS
June 30, 2021**

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, 2021**

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure Y funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

3. Survey of Compensation of Managers

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

To ensure that the District employs managers of the Division who are so qualified, the Board shall, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

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 Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Y funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period of July 1, 2020, to June 30, 2021. The population of expenditures tested includes object codes and specific projects associated with Measure Y.

A total of \$54.7 million in expenditures were identified for fiscal year ended June 30, 2021, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 137
Services and other operating expenditures	5,219
Capital outlay	1,820
<i>Total non-payroll expenditures</i>	7,176
Payroll Expenditures:	
Classified salaries	47
Employee benefits	19
<i>Total payroll expenditures</i>	66
Other Financing Uses:	
Transfers out	47,450
<i>Total other financing uses</i>	47,450
Total Measure Y Expenditures per AAFR - District Bonds Fund	\$ 54,692

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2021, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Y, Fund 214, as of June 30, 2021.

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 25 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$1.5 million or 21% 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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

c. Procedures Performed

We selected a total of 10 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$15,329 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 maintained a multi-funded timesheet, or
 - Sampled employees Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.1 dated July 1, 2016, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure 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, 2021**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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.

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

2. PROCUREMENT OF CONSTRUCTION CONTRACTS

Objective

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

Scope

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

Procedures Performed

We selected 5 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.

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

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

Procedures Performed *(continued)*

We selected a total of 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 for the 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 Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2021**

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

Procedures Performed *(continued)*

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

Conclusion

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

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

3. SURVEY OF COMPENSATION OF MANAGERS

Objective

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

To ensure that the District employs managers of the Division who are so qualified, the Board shall, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Scope

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

Procedures Performed

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

Conclusion

The results of our tests indicated that the District was not fully compliant with Measure Y's Survey of Compensation of Managers requirement. Refer to finding **MY-2021-001** in the Schedule of Findings and Responses for further details.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021**

MY-2021-001 – Survey of Compensation of Managers

Criteria

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

To ensure that the District employs managers of the Division who are so qualified, the Board shall, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and *the Board* shall make a finding that the managers of the District’s Facilities Services Division are being compensated accordingly.

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

Condition

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

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021**

MY-2021-001 – Survey of Compensation of Managers *(continued)*

Cause and Effect

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

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

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

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

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

A Facilities Services Division management compensation survey was performed and presented to the Superintendent in late 2021. The Superintendent made a finding that the managers of the District's Facilities Services Division are being compensated accordingly and the findings were shared with the Board of Education. No issues were raised with the findings. There was not a separate process for each Bond Measure, and the District believes it has complied with the spirit and intent of Measure Y (passed in 2005).

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2021**

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

Implemented.

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



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

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor’s Report

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

We have conducted a performance audit of the Los Angeles Unified School District’s (the District), **Measure Q School Bond Construction Program** for the year ended June 30, 2021.

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

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

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

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

Los Angeles, California
March 17, 2022



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

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

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

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

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

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

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

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

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

The Measure Q initiative authorized the issuance of \$7.0 billion in bonds. \$3.651 billion has since been issued between February 2016 and June 2021. The bonds are included in the audited financial statements of the District.

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

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

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure Q funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

3. Survey of Compensation of Managers

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

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2021, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period of July 1, 2020, to June 30, 2021. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2021, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2021.

Conclusion

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

b. Procedures Performed

We selected a total of 404 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$313 million or 44% of the total population of non-payroll expenditures.

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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

c. Procedures Performed

We selected a total of 59 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$6.2 million of the total population of payroll expenditures. We performed the following procedures:

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

d. Procedures Performed

We selected a total of 40 Transfers Out (sampled transfers) and performed the following procedures:

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

Conclusions

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
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2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

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

Procedures Performed

We selected 11 Professional Services Agreements to determine the District procured the contracts in accordance with the applicable requirements of the District's Desk-Top Procedures for Facilities Contracts by testing the following for the selected agreements:

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

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

Procedures Performed *(continued)*

We selected a total of 5 Construction Contracts to determine the District procured those contracts in accordance with the applicable requirements of the Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts by testing the following for each selected contract:

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

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

Procedures Performed *(continued)*

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

Conclusions

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

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3. SURVEY OF COMPENSATION OF MANAGERS

Objective

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

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

Scope

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

Procedures Performed

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

Conclusion

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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MQ-2021-001 – Semi-Annual Certification Form of Bond-Funded Work

Criteria

In accordance with the District's Policy Bulletin 6521.1, Documentation for Bond-Funded Employees, dated July 1, 2016, all employees whose positions are partially or fully funded from bond programs are required to submit documentation that certified that activities performed were in support of bond-funded projects.

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

Employees who maintain a multi-funded timesheet and are reporting time in a time keeping systems maintained by the respective department, who were Measure Q funded classified employees, are exempt from this requirement.

The first Certification is for the period of July 1 through December 31 and must be completed and submitted to the CFO's Bond Compliance Unit no later than March 9, 2021, with the second Certification period of January 1 through June 30 due no later than August 2, 2021. These dates are set by the CFO's Bond Compliance Unit and are subject to change on an annual basis.

Condition

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

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

Cause and Effect

The incidents identified above are instances where the District's policy was not fully followed. Departments who do not submit Certifications, or do so untimely, on behalf of employees who have performed Bond-Funded work restricts the CFO's Bond Compliance Unit from properly monitoring payroll expenditures charged to the Bond Funds.

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MQ-2021-001 – Semi-Annual Certification Form of Bond-Funded Work *(continued)*

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

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MQ-2021-002 – Payroll Expenditure Charges

Criteria

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CFO's Bond Compliance Unit. The justification includes the title and duties of the position, the percentage of the position's total personnel costs which will be Bond-Funded, and documentation supporting the stated percentage. The CFO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

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

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

Payroll expenditures charged to Measure Q should be adjusted at the end of the year to reflect the actual time spent or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.

Condition

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

- a. Seven employees were identified as reporting time by charging directly to project codes and to an "overhead" or "indirect" code. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities for the time reported to an "overhead" or "indirect" code.
- b. One employee submitted a Certification which certified their percentage of regular time spent on Bond-Eligible Projects/Activities as being 100%. Based on our interview with the employee it was determined that the department is responsible for handling both bond funded, and non-bond funded related activities. We reviewed the analysis performed by the department supporting the percentage of work performed over bond funded activities as being 95% compared non-bond funded activities of 5%. We determined that there were no end of year adjustments to Measure Q to reflect the actual time spent on bond funded activities.

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

Cause and Effect

- a. Employees who are tracking their time using a time tracking system such as Colin, Maximo, PATS, custom forms on an internal order or project basis, or other department managed time keeping systems, but are charging their time to a “overhead” or “indirect” code are in essence not tracking their time on a project basis. Such employees are currently exempt from the requirement to prepare and submit a Certification, and departments are not conducting an analysis over these employees time to verify that the payroll expenditures charged to Measure Q was based on actual time spent on Measure Q related activities.
- b. Departments whose employees submit a Certification which certifies a percent of regular time spent on Bond-Eligible Projects/Activities of 100% and have a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, should adjust Measure Q to reflect the actual time spent on non-bond funded activities. Departments that determine time was spent on non-bond funded activities for these employees but not adjusting Measure Q are not adhering to the District’s policy and will lead to overcharges to Measure Q.

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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MQ-2021-003 – Survey of Compensation of Managers

Criteria

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

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

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

Condition

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

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

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021**

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

Cause and Effect

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

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

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

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

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2021**

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Current Status

Implemented.

MQ-2020-002 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

Current Status

Implemented.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2021**

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

Current Status

Implemented.

MQ-2019-002 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

Current Status

Implemented.