

**LOS ANGELES UNIFIED SCHOOL DISTRICT**

Measure K, Measure R, Measure Y,  
Measure Q, and Measure RR  
School Bond Construction Programs  
Audited Financial Statements Year  
Ended June 30, 2023



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**DISTRICT BOND FUNDS**  
Year Ended June 30, 2023

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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 Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Los Angeles Unified School District (the District) **District Bond Funds (Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

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 (Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds) as of June 30, 2023, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's District Bond Funds (Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds) financial statements. The statement of bond expenditures and the related notes on pages 17 to 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.



### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedule of sources and uses of funds and fund balance and related notes on pages 19 to 21, and the schedule of bond expenditures and related notes on pages 22 to 27 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
March 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**DISTRICT BOND FUNDS**  
Balance Sheet  
Year Ended June 30, 2023  
(in thousands)

	<u>Measure K</u>	<u>Measure R</u>	<u>Measure Y</u>	<u>Measure Q</u>	<u>Measure RR</u>	<u>Total District Bond Funds</u>
<b>Assets</b>						
Cash in county treasury, in banks, and on hand	\$ 82,708	\$ 69,669	\$ 77,780	\$ 627,957	\$ 557,458	\$ 1,415,572
Accrued interest receivable	910	523	850	7,027	5,955	15,265
Prepays	234	-	-	-	-	234
Total Assets	<u>83,852</u>	<u>70,192</u>	<u>78,630</u>	<u>634,984</u>	<u>563,413</u>	<u>1,431,071</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 83,852</u>	<u>\$ 70,192</u>	<u>\$ 78,630</u>	<u>\$ 634,984</u>	<u>\$ 563,413</u>	<u>\$ 1,431,071</u>
<b>Liabilities and Fund Balances</b>						
Vouchers and accounts payable	\$ 4,805	\$ 832	\$ 248	\$ 41,722	\$ 7,440	\$ 55,047
Contracts payable	3,554	819	379	90,734	25,278	120,764
Accrued payroll	254	118	114	10,431	969	11,886
Other payables	219	358	1,062	6,043	118	7,800
Total Liabilities	<u>8,832</u>	<u>2,127</u>	<u>1,803</u>	<u>148,930</u>	<u>33,805</u>	<u>195,497</u>
<b>Deferred Inflows of Resources</b>	-	-	-	-	-	-
<b>Fund Balances</b>						
Nonspendable	234	-	500	-	-	734
Restricted	74,786	68,065	76,327	486,054	529,608	1,234,840
Total Fund Balances	<u>75,020</u>	<u>68,065</u>	<u>76,827</u>	<u>486,054</u>	<u>529,608</u>	<u>1,235,574</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 83,852</u>	<u>\$ 70,192</u>	<u>\$ 78,630</u>	<u>\$ 634,984</u>	<u>\$ 563,413</u>	<u>\$ 1,431,071</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, 2023  
(in thousands)

	<b>Measure K</b>	<b>Measure R</b>	<b>Measure Y</b>	<b>Measure Q</b>	<b>Measure RR</b>	<b>Total District Bond Funds</b>
<b>Revenues</b>						
Other local revenues	\$ 6,913	\$ 2,453	\$ 2,349	\$ 26,784	\$ (1,923)	\$ 36,576
Total Revenues	6,913	2,453	2,349	26,784	(1,923)	36,576
<b>Expenditures</b>						
Current						
Classified salaries	2,379	803	708	19,312	278	23,480
Employee benefits	1,245	411	347	10,126	83	12,212
Books and supplies	886	80	-	529	-	1,495
Services and other operating expenditures	855	3,741	2,461	30,435	27,539	65,031
Capital outlay	70,945	3,564	1,701	562,667	89,744	728,621
Debt Service Principal	3	-	-	-	-	3
Total Expenditures	76,313	8,599	5,217	623,069	117,644	830,842
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,400)	(6,146)	(2,868)	(596,285)	(119,567)	(794,266)
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,103	1,479	35	268,225	4	270,846
Transfers out	(14,231)	(22,090)	(5,518)	(394)	(11,729)	(53,962)
Proceeds from issuance of bonds	-	-	-	100,000	400,000	500,000
Total Other Financing Sources (Uses)	(13,128)	(20,611)	(5,483)	367,831	388,275	716,884
Net Changes in Fund Balances	(82,528)	(26,757)	(8,351)	(228,454)	268,708	(77,382)
Fund Balances, July 1, 2022	157,548	94,822	85,178	714,508	260,900	1,312,956
<b>Fund Balances, June 30, 2023</b>	<b>\$ 75,020</b>	<b>\$ 68,065</b>	<b>\$ 76,827</b>	<b>\$ 486,054</b>	<b>\$ 529,608</b>	<b>\$ 1,235,574</b>

See accompanying notes to financial statements.



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# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

### (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 basic 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 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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

The Statements are presented for the individual Measures K, R, Y, Q, and RR 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, C, B-1, and B-2, and multi-measure issuances Series KRY (2009), KRY (BABs, 2010), KRY (Tax-exempt, 2010), KY (2010), RYQ (2020), RYRR (2021), and QRR (2022).

### ***(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 or soon enough thereafter to pay current liabilities. Application of the "susceptibility to accrual" criteria require 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 Measures K, R, Y, Q and RR General Obligation Bonds, only. These financial statements are not intended to present the financial position and results of the 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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

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 as follows: Certificated Salaries, 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, 2023.

### ***(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 basic financial statements. Actual results may differ from those estimates.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

### (2) Cash and Investments

Cash and investments as of June 30, 2023 are classified in the accompanying basic financial statements as follows (in thousands):

	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Balance Sheet					
Cash	\$ 82,708	\$ 69,669	\$ 77,780	\$ 627,957	\$ 557,458
Cash held by trustee	-	-	-	-	-
Total cash and investments	\$ 82,708	\$ 69,669	\$ 77,780	\$ 627,957	\$ 557,458

Cash and investments as of June 30, 2023 consist of the following (in thousands):

	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Cash on hand	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits with financial institutions and Los Angeles County Pool	82,708	69,669	77,780	627,957	557,458
Total cash and investments	\$ 82,708	\$ 69,669	\$ 77,780	\$ 627,957	\$ 557,458

Deposits with financial institutions include cash in the Los Angeles County Pooled Surplus Investment Fund (\$1,415.6 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.

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/>.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

The table below identifies some of the investment types permitted in the investment policy:

<b>Authorized Investment Type</b>		<b>Maximum Maturity</b>	<b>Maximum Total Par Value</b>	<b>Maximum Par Value per Issuer</b>
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, 2023

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 4.0 years. As of June 30, 2023, 61.50% of District funds in the County PSI Fund does not exceed one year. The weighted average days to maturity of its portfolio was 753 days. 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, 2023, 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.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

### (3) Long Term Obligations

The General Obligation (GO) Bonds outstanding balance as of June 30, 2023 consists of the following (in thousands):

Bond Issue	Sale Date	Original Principal Amount	Outstanding June 30, 2023	Interest Rates to Maturity		Final Maturity
				Min	Max	
KRY (2009-BAB) <sup>(a)</sup>	10/15/2009	\$ 1,369,800	\$ 1,369,800	5.750%	5.76%	2034
Election of 2005, H (2009)	10/15/2009	318,800	318,800	(b) 1.540	1.54	2025
RY (2010-BAB) <sup>(a)</sup>	3/4/2010	1,250,585	1,250,585	6.758	6.758	2034
Election of 2005, J-1 (2010) <sup>(c)</sup>	5/6/2010	190,195	190,195	(b) 5.981	5.981	2027
Election of 2005, J-2 (2010) <sup>(c)</sup>	5/6/2010	100,000	100,000	(b) 5.720	5.720	2027
2011A-1 Refunding	11/1/2011	206,735	27,435	5.000	5.000	2023
2014B Refunding	6/26/2014	323,170	72,850	5.000	5.000	2026
2014C Refunding	6/26/2014	948,795	652,145	3.000	5.000	2031
2014D Refunding	6/26/2014	153,385	80,420	5.000	5.000	2030
2015A Refunding	5/28/2015	326,045	108,075	5.000	5.000	2025
Election of 2008, A (2016)	4/5/2016	648,955	340,420	3.500	5.000	2040
2016A Refunding	4/5/2016	577,400	207,820	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	860,225	2.000	5.000	2027
Election of 2005, Series M-1 (2018)	3/8/2018	117,005	105,025	3.000	5.250	2042
Election of 2008, Series B-1 (2018)	3/8/2018	1,085,440	979,365	4.000	5.250	2042
2019A Refunding	5/29/2019	594,605	485,340	3.000	5.000	2034
Series RYQ (2020)	4/30/2020	942,940	760,535	4.000	5.000	2044
2020A Refunding	10/6/2020	302,000	285,715	3.000	5.000	2033
Measure Q, Series C (2020)	11/10/2020	1,057,060	874,660	3.000	5.000	2045
2021A Refunding	4/29/2021	196,310	190,220	4.000	5.000	2032
Series RYRR (2021)	11/10/2021	494,140	432,425	2.625	5.000	2046
2021B Refunding	11/10/2021	48,855	47,015	1.245	1.888	2028
GOB, Series QRR (2022)	11/22/2022	500,000	467,415	*	5.000	2047
			<u>\$ 10,704,725</u>			

\* The total amount shown above excludes unamortized premium and discount of \$743.4 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 \$299.5 million representing \$156.6 million for Election of 2005, H (2009) (Tax Credit Bonds) and \$142.9 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, 2023

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

Bond Issue	BB	K	R	Y	Q	RR	Total
KRY (2009-BAB)	\$ -	\$ 200,000	\$ 363,005	\$ 806,795	\$ -	\$ -	\$ 1,369,800
Election of 2005, H (2009)	-	-	-	318,800	-	-	318,800
RY (2010-BAB)	-	-	477,630	772,955	-	-	1,250,585
Election of 2005, J-1 (2010)	-	-	-	190,195	-	-	190,195
Election of 2005, J-2 (2010)	-	-	-	100,000	-	-	100,000
2011A-1 Refunding	27,435	-	-	-	-	-	27,435
2014B Refunding	-	72,850	-	-	-	-	72,850
2014C Refunding	-	-	652,145	-	-	-	652,145
2014D Refunding	-	-	-	80,420	-	-	80,420
2015A Refunding	108,075	-	-	-	-	-	108,075
Election of 2008, A(2016)	-	-	-	-	340,420	-	340,420
2016A Refunding	121,420	-	29,265	57,135	-	-	207,820
2016B Refunding	-	224,920	176,455	96,865	-	-	498,240
2017A Refunding	84,915	775,310	-	-	-	-	860,225
Election of 2005, Series M-1 (2018)	-	-	-	105,025	-	-	105,025
Election of 2008, Series B-1 (2018)	-	-	-	-	979,365	-	979,365
2019A Refunding	-	127,065	281,985	76,290	-	-	485,340
Series RYQ (2020)	-	-	29,035	146,795	584,705	-	760,535
2020A Refunding	-	108,170	103,330	74,215	-	-	285,715
Measure Q, Series C (2020)	-	-	-	-	874,660	-	874,660
2021A Refunding	25,290	4,570	-	-	160,360	-	190,220
Series RYRR (2021)	-	-	108,505	61,390	-	262,530	432,425
2021B Refunding	-	47,015	-	-	-	-	47,015
Series QRR (2022)	-	-	-	-	95,060	372,355	467,415
							-
Totals	\$ 367,135	\$ 1,559,900	\$ 2,221,355	\$ 2,886,880	\$ 3,034,570	\$ 634,885	\$ 10,704,725

### (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, 2023.

# **LOS ANGELES UNIFIED SCHOOL DISTRICT**

## **Notes to Financial Statements**

**Year Ended June 30, 2023**

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, 2023

### (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, 2023 were as follows (in thousands):

From	To	Purpose	Transfers In	Transfers (Out)
General Fund	Building Fund – Measure R	Reimbursement of capital expenditures	\$ 85	\$ -
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	290	-
General Fund	Building Fund – Measure RR	Reimbursement of capital expenditures	4	-
General Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	25	-
Building Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	213	-
Building Fund – Measure R	Building Fund – Measure K	Reimbursement of capital expenditures	18	(18)
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	21,982	(21,982)
Building Fund – Measure R	County School Facilities - Prop 47	Reimbursement of capital expenditures	-	(90)
Building Fund – Measure K	County School Facilities - Prop 47	Reimbursement of capital expenditures	-	(14,231)
Building Fund – Measure RR	General Fund	Reimbursement of capital expenditures	-	(10,324)
Building Fund – Measure RR	Building Fund – Measure R	Reimbursement of capital expenditures	153	(153)
Building Fund – Measure RR	Building Fund – Measure Q	Reimbursement of capital expenditures	1,252	(1,252)
Building Fund – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	5,509	(5,509)
Building Fund – Measure Y	County School Facilities - Prop 47	Reimbursement of capital expenditures	-	(9)
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures	-	(348)
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	14	(13)
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	13	(13)
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures	-	(20)
Capital Facilities Fund	Building Fund – Measure R	Reimbursement of capital expenditures	137	-
County School Facilities - Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	171	-
County School Facilities - Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	1,072	-
County School Facilities - Prop 47	Building Fund – Measure Q	Reimbursement of capital expenditures	238,647	-
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	919	-
Special Reserve Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	10	-
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	332	-
Total			<u>\$ 270,846</u>	<u>\$ (53,962)</u>

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

Year Ended June 30, 2023

### (7) Fund Equity

The following is a summary of fund balances at June 30, 2023 (in thousands):

	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Nonspendable					
Revolving cash and imprest funds	\$ -	\$ -	\$ 500	\$ -	\$ -
Prepays	234	-	-	-	-
Total Nonspendable Balances	\$ 234	\$ -	\$ 500	\$ -	\$ -
Restricted for					
District Bonds	\$ 74,786	\$ 68,065	\$ 76,327	\$ 486,054	\$ 529,608
Total Fund Balances	\$ 75,020	\$ 68,065	\$ 76,827	\$ 486,054	\$ 529,608

**Nonspendable** 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 regarding the District's approach to address the COVID pandemic. These seek, among other things, to require the District 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 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 2022-2023 the District entered into approximately 68 contracts with a combined value of \$464.3 million. The durations of the contracts range from 90 days to five years.

### (9) Subsequent Events

In October 2023, the District sold \$850 million of the new money Bonds on October 24th. The Bonds were issued to finance school facilities projects, including \$525 million of Measure Q Bonds and \$325 million of Measure RR Bonds. The Bonds sold at a true interest cost of 4.55 percent over 25 years. The transaction closed on November 7, 2023.

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**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
**DISTRICT BOND FUNDS**  
Statement of Bond Expenditures  
Year Ended June 30, 2023  
(in thousands)

<b>Cost Category</b>	<b>Measure K</b>	<b>Measure R</b>	<b>Measure Y</b>	<b>Measure Q</b>	<b>Measure RR</b>	<b>Total District Bond Funds</b>
<b>Facilities Services Division Capital Programs</b>						
New Construction	\$ 356	\$ 191	\$ 27	\$ -	\$ -	\$ 574
School Modernization	82,505	29,344	9,231	551,234	73,491	745,805
Information Technology Network Upgrade	-	-	-	-	-	-
Adult and Career Education	-	29	135	957	-	1,121
Early Childhood Education	184	494	109	8,295	2,196	11,278
Charter Schools	196	258	10	18,245	48	18,757
Indirect Costs	7,306	386	23	33,501	16,538	57,754
Total FSD Capital Programs	90,547	30,702	9,535	612,232	92,273	835,289
<b>Information Technology Division Capital Programs</b>						
Classroom Technology Modernization	-	-	-	(18)	-	(18)
School Network Modernization	-	(3)	1	1,513	-	1,511
Safety, Communications and Security Modernization	(3)	(5)	272	2,251	18,118	20,633
My Integrated Student Information System	-	-	-	-	-	-
Disaster Recovery & Business Continuity	-	-	-	1,121	-	1,121
Enterprise Software Systems	-	(5)	927	600	-	1,522
Total ITD Capital Programs	(3)	(13)	1,200	5,467	18,118	24,769
<b>Transportation (Buses)</b>	-	-	-	-	-	-
<b>Library Services</b>	-	-	-	-	-	-
<b>Other Costs</b>						
Cost of Issuance	-	-	-	317	8,696	9,013
Office of Bond Compliance	-	-	-	982	-	982
Office of Inspector General	-	-	-	4,414	-	4,414
Total Other Costs	-	-	-	5,713	8,696	14,409
<b>Other Financing Uses</b>						
Transportation (Buses): Transfers Out to General Fund	-	-	-	51	10,286	10,337
Total Other Financing Uses	-	-	-	51	10,286	10,337
<b>Total Expenditures</b>	<b>\$ 90,544</b>	<b>\$ 30,689</b>	<b>\$ 10,735</b>	<b>\$ 623,463</b>	<b>\$ 129,373</b>	<b>\$ 884,804</b>

See accompanying unaudited report and notes to statement of bond expenditures.

# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Notes to Statement of Bond Expenditures

Year Ended June 30, 2023

### (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, 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 expenditures paid or accrued by the District for the year ended June 30, 2023, adjusted by discounts received from the vendors. The expenditure amounts include expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned.

#### ***b) Cost Category***

The major cost categories represent bond programs funded by the bond. The cost category “Indirect costs” refers to all expenditures that cannot be reasonably attributed to individual projects.

An example of “Indirect Costs” 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 costs of other support staff 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, 2023  
(in thousands)  
(unaudited)

	<b>Measure K</b>
Voter Approved Bond Authorization	\$ 3,350,000
Date of Election	11/5/2002
<b>Sources of funds</b>	
Bonds issued	\$ 3,350,000
Adjustments - bond premium and cost of issuance/ underwriter's discount	4,370
Interest income	161,347
Federal income	-
Local income	(2,694)
Other financing sources - PY Proceeds from Cap Leases	9
Other financing sources - transfers in	804,618
<b>Total sources of funds</b>	<u>4,317,650</u>
<b>Uses of funds</b>	
Facilities Services Division Capital Programs	4,055,322
Information Technology Division Capital Programs	128,671
Library Services	37,949
Transportation (Buses)	-
Other costs	20,688
Other financing uses - transfers out	-
<b>Total uses of funds</b>	<u>4,242,630</u>
<b>Fund balance, June 30, 2023</b>	<u><u>\$ 75,020</u></u>

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, 2023

(in thousands)

(unaudited)

(continued)

<b>Measure R</b>	<b>Measure Y</b>	<b>Measure Q</b>	<b>Measure RR</b>	<b>Total District Bond Funds</b>
\$ 3,870,000 3/2/2004	\$ 3,985,000 11/8/2005	\$ 7,000,000 11/4/2008	\$ 7,000,000 11/3/2020	\$ 25,205,000
\$ 3,870,000	\$ 3,985,000	\$ 3,750,955	\$ 700,000	\$ 15,655,955
8,635	5,948	-	-	18,953
156,308	106,560	73,727	16,161	514,103
1,752	-	-	-	1,752
41,393	33,005	(24,874)	(28,291)	18,539
-	-	-	-	9
1,017,551	537,090	1,029,168	4	3,388,431
5,095,639	4,667,603	4,828,976	687,874	19,597,742
4,289,116	3,939,591	3,956,411	118,619	16,359,059
495,589	185,405	284,178	20,224	1,114,067
51,402	3,934	-	-	93,285
-	24,319	-	-	24,319
35,108	54,038	38,564	9,137	157,535
156,359	383,489	63,769	10,286	613,903
5,027,574	4,590,776	4,342,922	158,266	18,362,168
\$ 68,065	\$ 76,827	\$ 486,054	\$ 529,608	\$ 1,235,574

**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Notes to Supplementary Schedule of Bond Expenditures  
Period from Inception to June 30, 2023  
(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 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 current year expenditures until all the bond 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 represent the prior year expenditures from inception through June 30, 2022, and fiscal year 2022-23 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 represent actual expenditures paid or accrued by the District for the period from inception through June 30, 2023, adjusted by discounts received from the vendors. The expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned.

***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, 2023, column.

***d) Cost Category***

The major cost categories represent bond programs funded by the bond. The cost category “Indirect costs” refers to all expenditures that cannot be reasonably attributed to individual projects.

An example of “Indirect costs” 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 costs of other support staff such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**(2) Other Financing Uses**

Transfers Out and Other Financing Uses (OFU) represent 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, transfers are represented as project expenditures in the bond fund.

**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, 2023  
(in thousands)  
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 5, 2002 (Inception) through June 30, 2022	Expenditures Year Ended June 30, 2023	Total Expenditures through June 30, 2023	
Facilities Services Division					
Capital Programs					
New Construction	\$ 2,951,966	\$ 2,880,393	\$ 356	\$ 2,880,749	\$ 71,217
School Modernization	877,640	794,333	82,505	876,838	802
Early Childhood Education	80,000	77,162	184	77,346	2,654
Charter Schools	53,500	53,060	196	53,256	244
Indirect Costs	167,134	159,827	7,306	167,133	1
Total FSD Capital Programs	4,130,240	3,964,775	90,547	4,055,322	74,918
Information Technology Division					
Capital Programs					
Virtual Learning Complex Planning	1,910	1,891	-	1,891	19
School Network Modernization	120,853	120,853	-	120,853	-
Safety, Communications and Security Modernization	5,959	5,930	(3)	5,927	32
Total ITD Capital Programs	128,722	128,674	(3)	128,671	51
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	20,688	20,688	-	20,688	-
Total Bond Expenditures and Other Financing Uses	\$ 4,317,650	\$ 4,152,086	\$ 90,544	\$ 4,242,630	\$ 75,020

See accompanying 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, 2023  
(in thousands)  
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		March 2, 2004 (Inception) through June 30, 2022	Expenditures Year Ended June 30, 2023	Total Expenditures through June 30, 2023	
<b>Facilities Services Division Capital Programs</b>					
New Construction	\$ 1,818,855	\$ 1,808,713	\$ 191	\$ 1,808,904	\$ 9,951
School Modernization	2,108,540	2,038,633	29,344	2,067,977	40,563
Information Technology					
Network Upgrade	303	302	-	302	1
Adult and Career Education	25,000	24,670	29	24,699	301
Early Childhood Education	94,196	84,755	494	85,249	8,947
Charter Schools	71,885	69,572	258	69,830	2,055
Indirect Costs	232,155	231,769	386	232,155	-
Total FSD Capital Programs	<u>4,350,934</u>	<u>4,258,414</u>	<u>30,702</u>	<u>4,289,116</u>	<u>61,818</u>
<b>Information Technology Division Capital Programs</b>					
Classroom Technology Modernization	154,180	152,058	-	152,058	2,122
School Network Modernization	256,809	254,628	(3)	254,625	2,184
Safety, Communications and Security					
Modernization	11,586	11,537	(5)	11,532	54
My Integrated Student Information System	53,966	53,966	-	53,966	-
Disaster Recovery & Business Continuity	21,335	21,335	-	21,335	-
Enterprise Software Systems	2,078	2,078	(5)	2,073	5
Total ITD Capital Programs	<u>499,954</u>	<u>495,602</u>	<u>(13)</u>	<u>495,589</u>	<u>4,365</u>
<b>Library Services</b>	53,000	51,402	-	51,402	1,598
<b>Other Costs</b>					
Employee Benefits and Other					
Post-Employment Benefits	11,065	11,065	-	11,065	-
Cost of Issuance	13,886	13,886	-	13,886	-
Office of Bond Compliance	436	157	-	157	279
Office of Inspector General	10,000	10,000	-	10,000	-
Total Other Costs	<u>35,387</u>	<u>35,108</u>	<u>-</u>	<u>35,108</u>	<u>279</u>
<b>Other Financing Uses</b>					
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 Reimbursements:					
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>
<b>Total Bond Expenditures and Other Financing Uses</b>	<u>\$ 5,095,639</u>	<u>\$ 4,996,885</u>	<u>\$ 30,689</u>	<u>\$ 5,027,574</u>	<u>\$ 68,065</u>

See accompanying 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, 2023  
(in thousands)  
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		Inception through June 30, 2022	Expenditures Year Ended June 30, 2023	Total Expenditures through June 30, 2023	
Facilities Services Division Capital Programs					
New Construction	\$ 2,390,646	\$ 2,350,025	\$ 27	\$ 2,350,052	\$ 40,594
School Modernization	1,211,641	1,183,812	9,231	1,193,043	18,598
Information Technology					
Network Upgrade	165,294	164,029	-	164,029	1,265
Adult and Career Education	70,486	68,039	135	68,174	2,312
Early Childhood Education	34,589	34,480	109	34,589	-
Charter Schools	50,000	48,167	10	48,177	1,823
Indirect Costs	81,689	81,504	23	81,527	162
Total FSD Capital Programs	4,004,345	3,930,056	9,535	3,939,591	64,754
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	128,407	1	128,408	4,784
Safety, Communications and Security					
Modernization	30,317	27,412	272	27,684	2,633
Enterprise Software Systems	8,962	6,018	927	6,945	2,017
Total ITD Capital Programs	195,059	184,205	1,200	185,405	9,654
Transportation	25,000	24,319	-	24,319	681
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	9,601	9,601	-	9,601	-
Office of Bond Compliance	2,828	2,156	-	2,156	672
Office of Inspector General	17,000	17,000	-	17,000	-
Total Other Costs	54,710	54,038	-	54,038	672
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	383,489	383,489	-	383,489	-
Total Bond Expenditures and Other Financing Uses	\$ 4,667,603	\$ 4,580,041	\$ 10,735	\$ 4,590,776	\$ 76,827

See accompanying 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, 2023  
(in thousands)  
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred		Unexpended Balance	
		November 4, 2008 (Inception) through June 30, 2022	Expenditures Year Ended June 30, 2023		Total Expenditures through June 30, 2023
Facilities Services Division Capital Programs					
New Construction	\$ 295,096	\$ 15,178	\$ -	15,178	\$ 279,918
School Modernization	3,294,881	2,694,702	551,234	3,245,936	48,945
Adult and Career Education	22,109	21,152	957	22,109	-
Early Childhood Education	32,097	23,783	8,295	32,078	19
Charter Schools	96,921	78,675	18,245	96,920	1
Indirect Costs	544,607	510,689	33,501	544,190	417
Total FSD Capital Programs	4,285,711	3,344,179	612,232	3,956,411	329,300
Information Technology Division Capital Programs					
Classroom Technology Modernization	25,356	15,592	(18)	15,574	9,782
School Network Modernization	66,090	15,846	1,513	17,359	48,731
Safety, Communications and Security Modernization	98,945	37,093	2,251	39,344	59,601
My Integrated Student Information System	119,971	119,633	-	119,633	338
Cafeteria Management System				-	
- Point of Sale Technology Upgrade	6,300	5,773	-	5,773	527
Disaster Recovery & Business Continuity	51,435	41,311	1,121	42,432	9,003
Enterprise Software Systems	64,004	43,463	600	44,063	19,941
Total ITD Capital Programs	432,101	278,711	5,467	284,178	147,923
Other Costs					
Employee Benefits	-	-	-	-	-
Cost of Issuance	2,922	2,604	317	2,921	1
Office of Chief Financial Officer	12,740	3,996	-	3,996	8,744
Office of Bond Compliance	3,119	2,137	982	3,119	-
Office of Inspector General	28,614	24,114	4,414	28,528	86
Total Other Costs	47,395	32,851	5,713	38,564	8,831
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	33,286	33,235	51	33,286	-
Transfers Out to General Fund - Routine Restricted General Maintenance	30,000	30,000	-	30,000	-
Total Other Financing Uses	63,769	63,718	51	63,769	-
Total Bond Expenditures and Other Financing Uses	\$ 4,828,976	\$ 3,719,459	\$ 623,463	\$ 4,342,922	\$ 486,054

See accompanying notes to unaudited supplementary schedule of bond expenditures.

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

Supplementary Schedule of Bond Expenditures  
Period from November 3, 2020 (Inception) to June 30, 2023  
(in thousands)  
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 3, 2020 (Inception) through June 30, 2022	Expenditure Year Ended June 30, 2023	Total Expenditure through June 30, 2023	
Facilities Services Division Capital Programs					
New Construction	\$ 112	\$ 112	\$ -	\$ 112	\$ -
School Modernization	616,491	24,345	73,491	97,836	518,655
Early Childhood Education	2,601	34	2,196	2,230	371
Charter Schools	50	-	48	48	2
Indirect Costs	18,855	1,855	16,538	18,393	462
Total FSD Capital Programs	638,109	26,346	92,273	118,619	519,490
Information Technology Division Capital Programs					
Safety, Communications and Security Modernization	30,342	2,106	18,118	20,224	10,118
Total ITD Capital Programs	30,342	2,106	18,118	20,224	10,118
Other Costs					
Cost of Issuance	9,137	441	8,696	9,137	-
Total Other Costs	9,137	441	8,696	9,137	-
Other Financing Uses					
Transfers Out to General Fund - Transportation	10,286	-	10,286	10,286	-
Total Other Financing Uses	10,286	-	10,286	10,286	-
Total Bond Expenditures and Other Financing Uses	\$ 687,874	\$ 28,893	\$ 129,373	\$ 158,266	\$ 529,608

See accompanying 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, 2023  
(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 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 current year expenditures until all the bond 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 represent the prior year expenditures from inception through June 30, 2022, and fiscal year 2022-23 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 represent actual expenditures paid or accrued by the District for the period from inception through June 30, 2023, adjusted by discounts received from the vendors. The expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned.

***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, 2023, column.

***d) Cost Category***

The major cost categories represent bond programs funded by the bond. The cost category “Indirect costs” refers to all expenditures that cannot be reasonably attributed to individual projects.

An example of “Indirect costs” 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 costs of other support staff such as the Office of the General Counsel, Accounts Payable, and Risk Management.

**(2) Other Financing Uses**

Transfers Out and Other Financing Uses (OFU) represent 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, 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 (Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated March 21, 2024.

### **Report on 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 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. 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 or significant deficiencies may exist that were not identified.



## **Report on 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 statements. 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 black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
March 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
DISTRICT BOND FUNDS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
DISTRICT BOND FUNDS  
Schedule of Prior Year Findings and Recommendations  
For the Year Ended June 30, 2023**

No matters were reported.

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**



SIMPSON & SIMPSON  
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March 21, 2024

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 (Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2023, 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 audit procedures that are appropriate in the circumstances 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 33. 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,

*The Honorable Board of Education and  
School Construction Bond Citizens' Oversight Committee  
Los Angeles Unified School District  
March 21, 2024*

**Current Year Management Letter Comments**

No matters were reported.



**Status of Prior Year Management Letter Comments**

**Measure Y - ML-2021 - Contracts Payable**

**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.

**Current Status**

Implemented.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
JUNE 30, 2023**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
June 30, 2023**

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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, 2023.

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 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
LEGISLATIVE HISTORY  
June 30, 2023**

---

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, 2023**

---

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 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 is 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, 2023**

---

**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, 2023, 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, Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, and Goods and Supplies Contracts in accordance with the District's Procurement Manual.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure K funds for the year ended June 30, 2023, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period from July 1, 2022, to June 30, 2023. The population of expenditures tested includes object codes and specific projects associated with Measure K.

A total of \$90.5 million in expenditures were identified for fiscal year ended June 30, 2023, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 886
Services and other operating expenditures	855
Capital outlay	70,945
Debt service principal	3
<i>Total non-payroll expenditures</i>	<u>72,689</u>
Payroll Expenditures:	
Classified salaries	2,379
Employee benefits	1,245
<i>Total payroll expenditures</i>	<u>3,624</u>
Other Financing Uses:	
Transfers out	14,231
<i>Total other financing uses</i>	<u>14,231</u>
<b>Total Measure K Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 90,544</u></b>



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**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, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure K, Fund 213, as of June 30, 2023.

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 206 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$12.2 million or 16.8% 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, 2023**

---

**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 45 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$575K 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 the Chief Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, 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 the 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, 2023**

---

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

Conclusions

We identified three instances of non-compliance with Procedure (c)(i) and (c)(ii). Refer to finding **MK-2023-001** in the Schedule of Findings and Responses for further details.

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

We identified seven instances of non-compliance with Procedure (c)(iv). Refer to finding **MK-2023-001** in the Schedule of Findings and Responses for further details.

d. Procedures Performed

We selected a total of 20 Transfers Out (sampled transfers) and performed the following procedures:

- i. Determined that the sampled non-payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure K's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments, and not expended on school operating expenditures.
- ii. For non-payroll project expenditures, we reviewed the supporting documents for the transfers out and determined that the amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing the use of Measure K funds.

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Scope

The scope covers contracts/agreements procured during the period of July 1, 2022, to June 30, 2023, in which the original funding strategy source assigned was Measure K.

Procedures Performed

We selected 1 Professional Services Agreement to determine whether the District procured the contract in accordance with the applicable requirements of the District's Desk-Top Procedures for Facilities Contracts by testing the following for the selected agreement:

- i. We verified that the selected firm was approved by the board before the 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, 2023**

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

Procedures Performed *(continued)*

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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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 the remaining requirements before the contract was awarded.
  - Within 10 days of receipt of NOIA, the awarded contractor picked up the NOIA package, plans, and specification, including any addenda; enrolled in OCIP; and submitted the package to the FCC: (1) one executed original of the payment bond (2) one executed original of the performance bond (3) confirmation that bidder submitted the required paperwork to enroll in the Owner Controlled Insurance Program (OCIP). Certain contracts do not require OCIP and Advertisement because of the nature of the service rendered, such as "Emergency Asbestos Removal." In these cases, the contractor was required to provide a copy of their own insurance coverage.
- v. We verified that the contract award was properly authorized and approved by the Board.
- vi. We verified that the extract of the Public Works Contract (PWC) Award was forwarded to the California Department of Industrial Relations - Division of Apprenticeship Standards.

We selected 2 Goods and Supplies Contracts to determine the District procured the contracts in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contracts:

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**MK-2023-001 – Payroll Expenditure Charges**

**Criteria**

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CBO'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 CBO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

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

Payroll expenditures charged to Measure K should be adjusted at the end of the year to reflect the actual time spent or a system in place to establish relevant metrics properly, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure K related activities.

**Condition, Cause & Effect**

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

- a. Based on our review of payroll documentation for two employees, it was determined that the employees' payroll charges to Measure K were initially based on a fixed budgeted percentage but was subsequently adjusted utilizing relevant metrics of the employees' actual work conducted during the fiscal year. It was determined that the metrics utilized covered activity between July 2022 through April 2023, and did not consider May 2023 through June 2023, the remaining months in the fiscal year. As such, we requested the department to conduct an analysis of the metrics pertaining to May 2023 through June 2023 to determine if the payroll expenditures charged to Measure K is reasonable. Based on the analysis performed by the District, it was determined that the employees' payroll was overcharged to Measure K by 1% of each employee's total payroll expenditures, totaling \$1,021.42, which should be adjusted out of Measure K.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of metrics representing actual time spent during the entire fiscal year to adjust the bond funds accordingly and avoid overcharging Measure K.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**Condition, Cause & Effect** *(continued)*

- b. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure K were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure K is reasonable. Based on the analysis performed by the District, it was determined that the employee's payroll was overcharged to Measure K by 1.18% of the employee's total payroll expenditures, amounting to \$818.92, which should be adjusted out of Measure K.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly and avoid overcharging Measure K.

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

- c. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure K were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure K is reasonable. Based on the analysis performed by the District, it was determined that the District undercharged Measure K, therefore not leading to ineligible costs.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

- d. Based on our review of payroll documentation for six employees, it was determined that the employees' payroll charges to Measure K were based on a fixed budgeted percentage. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure K 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 K related activities for the time reported during the fiscal year.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**Recommendation**

We recommend the following to the District:

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

**Views of Responsible Officials and Planned Corrective Actions**

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE K  
PERFORMANCE AUDIT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2023**

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No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
JUNE 30, 2023**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
June 30, 2023**

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## Independent Auditor's Report

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

We have conducted a performance audit of the Los Angeles Unified School District's (the District),  
**Measure R School Bond Construction Program** for the year ended June 30, 2023.

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 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
LEGISLATIVE HISTORY  
June 30, 2023**

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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, 2023**

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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 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, and restrooms;
- build neighborhood schools, and early education centers;
- improve security systems, and 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. \$3.87 billion has been issued between March 2004 and June 2022. 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 is 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, 2023**

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**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, 2023, 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 Goods and Supplies Contracts in accordance with the District's Procurement Manual.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure R funds for the year ended June 30, 2023, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period from July 1, 2022, to June 30, 2023. The population of expenditures tested includes object codes and specific projects associated with Measure R.

A total of \$30.7 million in expenditures were identified for fiscal year ended June 30, 2023, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 80
Services and other operating expenditures	3,741
Capital outlay	<u>3,564</u>
<i>Total non-payroll expenditures</i>	<u>7,385</u>
Payroll Expenditures:	
Classified salaries	803
Employee benefits	<u>411</u>
<i>Total payroll expenditures</i>	<u>1,214</u>
Other Financing Uses:	
Transfers out	<u>22,090</u>
<i>Total other financing uses</i>	<u>22,090</u>
<b>Total Measure R Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 30,689</u></b>

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**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, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure R, Fund 210, as of June 30, 2023.

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 21 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$1.8 million or 24.3% 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, 2023**

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**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 21 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$195K 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 the Chief Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, 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 the 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, 2023**

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

Conclusions

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

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

We identified one instance of non-compliance with Procedure (c)(iv). Refer to finding **MR-2023-001** in the Schedule of Findings and Responses for further details.

d. Procedures Performed

We selected a total of 5 Transfers Out (sampled transfers) and performed the following procedures:

- i. Determined that the sampled non-payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure R's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments, and not expended on school operating expenditures.
- ii. For non-payroll project expenditures, we reviewed the supporting documents for the transfers out and determined that the amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing use of Measure R funds.

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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**2. PROCUREMENT OF AGREEMENTS**

Objective

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

Scope

The scope covers contracts procured during the period of July 1, 2022, to June 30, 2023, in which the original funding strategy source assigned was Measure R.

Procedures Performed

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

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

Conclusion

The results of our tests indicated that the District procured the selected Goods and Supplies Contract in accordance with the District's Procurement Manual.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**MR-2023-001 – Payroll Expenditure Charges**

**Criteria**

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CBO'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 CBO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

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

Payroll expenditures charged to Measure R should be adjusted at the end of the year to reflect the actual time spent or a system in place to establish relevant metrics properly, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure R related activities.

**Condition, Cause & Effect**

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

- a. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure R were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure R is reasonable. Based on the analysis performed by the District, it was determined that the District undercharged Measure R, therefore not leading to ineligible costs.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**Recommendation**

We recommend the following to the District:

- a. Provide training, guidance, and support to the specific departments of the employees identified in our finding, regarding the analysis of payroll expenditures charged to Measure R against actual time spent or a system in place to properly establish relevant metrics, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure R related activities. Further, the District should ensure that personnel responsible for making such decisions on behalf of the departments are present for the training.

**Views of Responsible Officials and Planned Corrective Actions**

- a. The District will provide annual training, guidance, and support to all departments with employees charging time on bond funds. The District will require personnel that are responsible for employees that charge the bond funds be provided training to include the time reporting procedures and collection of relevant metrics in order to evaluate necessary adjustments to the bond charges.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE R  
PERFORMANCE AUDIT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2023**

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No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
JUNE 30, 2023**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
June 30, 2023**

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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, 2023.

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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our 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 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
LEGISLATIVE HISTORY  
June 30, 2023**

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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, 2023**

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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 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 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 a 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. \$3.985 billion has since been issued between November 2005 and June 2022. 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 is 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, 2023**

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**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, 2023, 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 Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, and Goods and Supplies Contracts in accordance with the District's Procurement Manual.

3. 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 on 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, 2023**

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**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure Y funds for the year ended June 30, 2023, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period from July 1, 2022, to June 30, 2023. The population of expenditures tested includes object codes and specific projects associated with Measure Y.

A total of \$10.7 million in expenditures were identified for fiscal year ended June 30, 2023, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ -
Services and other operating expenditures	2,461
Capital outlay	<u>1,701</u>
<i>Total non-payroll expenditures</i>	<u>4,162</u>
Payroll Expenditures:	
Classified salaries	708
Employee benefits	<u>347</u>
<i>Total payroll expenditures</i>	<u>1,055</u>
Other Financing Uses:	
Transfers out	<u>5,518</u>
<i>Total other financing uses</i>	<u>5,518</u>
<b>Total Measure Y Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 10,735</u></b>



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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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, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Y, Fund 214, as of June 30, 2023.

Conclusion

The results of our test indicated a difference of \$2.18 million in Measure Y expenditure balances compared to the District Bonds Fund reported in the AAFR. In Fiscal Year 2023, the District corrected an error identified and corrected in the Financial Statement Audit of the District Bond Fund for Measure Y in Fiscal Year 2021. As the District Bond Fund Financial Statement for Measure Y was already corrected for this error in Fiscal Year 2021, it is not necessary for the correction made by the District in its AAFR in Fiscal Year 2023 to be accounted for.

b. Procedures Performed

We selected a total of 12 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$1.3 million or 31% 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

b. Procedures Performed *(continued)*

- The payment package included the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

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 25 employees' payroll expenditures (sampled employees) for the entire fiscal year, amounting to \$709K 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 Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, 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 the 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, 2023**

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

Conclusions

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

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

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

**d. Procedures Performed**

We selected a total of 2 Transfers Out (sampled transfers) and performed the following procedures:

- i. Determined that the sampled non-payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure Y’s Resolution as presented to the voters and further defined by various Board approved SEPs and amendments, and not expended on school operating expenditures.
- ii. For non-payroll project expenditures, we reviewed the supporting documents for the transfers out and determined that the amounts expended were consistent with the Board approved SEPs and amendments or Board Report authorizing use of Measure Y funds.

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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**2. PROCUREMENT OF CONSTRUCTION CONTRACTS**

Objective

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

Scope

The scope covers contracts procured during the period of July 1, 2022, to June 30, 2023, in which the original funding strategy source assigned was Measure Y.

Procedures Performed

We selected 1 Construction Contract to determine the District procured the contract in accordance with the applicable requirements of the Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts by testing the following 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, 2023**

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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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

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

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

Conclusion

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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**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 complied with Measure Y's Survey of Compensation of Managers requirement by presenting the Survey to the Board and obtaining a finding that compensation levels for managers of the FSD are competitive in the marketplace for recruitment and retention purposes on November 14, 2023.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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No matters were reported.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Y  
PERFORMANCE AUDIT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2023**

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**MY-2021-001 – Survey of Compensation of Managers**

**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).

**Current Status**

Implemented.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
JUNE 30, 2023**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
June 30, 2023**

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## Independent Auditor's Report

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

We have conducted a performance audit of the Los Angeles Unified School District's (the District),  
**Measure Q School Bond Construction Program** for the year ended June 30, 2023.

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 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
LEGISLATIVE HISTORY  
June 30, 2023**

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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, 2023**

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

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

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

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

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

The Measure Q initiative authorized the issuance of \$7.0 billion in bonds. \$3.751 billion has since been issued between February 2016 and June 2023. The bonds are included in the audited financial statements of the District.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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**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, 2023, 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, Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, and Goods and Supplies Contracts in accordance with the District's Procurement Manual.

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 on 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, 2023**

---

**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2023, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period from July 1, 2022, to June 30, 2023. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

A total of \$623.5 million in expenditures were identified for fiscal year ended June 30, 2023, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 529
Services and other operating expenditures	30,435
Capital outlay	<u>562,667</u>
<i>Total non-payroll expenditures</i>	<u>593,631</u>
Payroll Expenditures:	
Classified salaries	19,312
Employee benefits	<u>10,126</u>
<i>Total payroll expenditures</i>	<u>29,438</u>
Other Financing Uses:	
Transfers out	<u>394</u>
<i>Total other financing uses</i>	<u>394</u>
<b>Total Measure Q Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 623,463</u></b>



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**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, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2023.

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 344 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$270.8 million or 45.6% of the total population of non-payroll expenditures.

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**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 75 employees' payroll expenditures (sampled employees) for the entire fiscal year, amounting to \$5.1 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 employee's Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure Q, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure Q were based on actual time spent on Measure Q related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Conclusions

We identified four instances of non-compliance with Procedure (c)(i) and (c)(ii). Refer to finding **MQ-2023-001** in the Schedule of Findings and Responses for further details.

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

We identified eleven instances of non-compliance with Procedure (c)(iv). Refer to finding **MQ-2023-001** in the Schedule of Findings and Responses for further details.

d. Procedures Performed

We selected a total of 4 Transfers Out (sampled transfers) and performed the following procedures:

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

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Scope

The scope covers contracts/agreements procured during the period of July 1, 2022, to June 30, 2023, in which the original funding strategy source assigned was Measure Q.

Procedures Performed

We selected 1 Professional Services Agreement to determine whether the District procured the contract in accordance with the applicable requirements of the District's Desk-Top Procedures for Facilities Contracts by testing the following for the selected agreement:

- 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 Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Procedures Performed *(continued)*

We selected a total of 4 Construction Contracts to determine the District procured those contracts in accordance with the applicable requirements of the Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts by testing the following for each selected contract:

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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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 the remaining requirements before the contract was awarded.
  - Within 10 days of receipt of NOIA, the awarded contractor picked up the NOIA package, plans, and specification, including any addenda; enrolled in OCIP; and submitted the package to the FCC: (1) one executed original of the payment bond (2) one executed original of the performance bond (3) confirmation that bidder submitted the required paperwork to enroll in the Owner Controlled Insurance Program (OCIP). Certain contracts do not require OCIP and Advertisement because of the nature of the service rendered, such as "Emergency Asbestos Removal". In these cases, the contractor was required to provide a copy of their own insurance coverage.
- v. We verified that the contract award was properly authorized and approved by the Board.
- vi. We verified that the extract of the Public Works Contract (PWC) Award was forwarded to the California Department of Industrial Relations - Division of Apprenticeship Standards.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

We selected 2 Goods and Supplies Contracts to determine the District procured the contracts in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contracts:

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

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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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 complied with Measure Q's Survey of Compensation of Managers requirement by presenting the Survey to the Board and obtaining a finding that compensation levels for managers of the FSD are competitive in the marketplace for recruitment and retention purposes on November 14, 2023.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**MQ-2023-001 – Payroll Expenditure Charges**

**Criteria**

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CBO'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 CBO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

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

Payroll expenditures charged to Measure Q should be adjusted at the end of the year to reflect the actual time spent or a system in place to establish relevant metrics properly, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.

**Condition, Cause & Effect**

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

- a. Based on our review of payroll documentation for two employees, it was determined that the employees' payroll charges to Measure Q were initially based on a fixed budgeted percentage but was subsequently adjusted utilizing relevant metrics of the employees' actual work conducted during the fiscal year. It was determined that the metrics utilized covered activity between July 2022 through April 2023, and did not consider May 2023 through June 2023, the remaining months in the fiscal year. As such, we requested the department to conduct an analysis of the metrics pertaining to May 2023 through June 2023 to determine if the payroll expenditures charged to Measure Q is reasonable. Based on the analysis performed by the District, it was determined that the employees' payroll was overcharged to Measure Q by 1% of each employee's total payroll expenditures, totaling \$2,317.95, which should be adjusted out of Measure Q.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of metrics representing actual time spent during the entire fiscal year to adjust the bond funds accordingly and avoid overcharging Measure Q.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
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**Condition, Cause & Effect** *(continued)*

- b. Based on our review of payroll documentation for one employee, it was determined that from the period of July 2022 through May 2023, the employees' payroll charges to Measure Q was based on a fixed budgeted percentage of 100%. 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 during this period.

Based on our interview, it was determined that the employee performed non-bond related services during this time period, but was erroneously charged to Measure Q. As such, we requested the department to conduct an analysis of the activities performed by the employee during this time period to quantify the total overcharges to Measure Q. Based on the analysis performed by the District, it was determined that the employee's payroll was overcharged to Measure Q in the amount of \$17,705 which should be adjusted out of Measure Q.

It was determined that the employee began properly tracking actual time between bond and non-bond activities in June 2023, after being properly trained to do so.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

- c. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure Q were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure Q is reasonable. Based on the analysis performed by the District, it was determined that the employee's payroll was overcharged to Measure Q by 1.18% of the employee's total payroll expenditures, amounting to \$1,637.83, which should be adjusted out of Measure Q.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly and avoid overcharging Measure Q.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**Condition, Cause & Effect** *(continued)*

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

- d. Based on our review of payroll documentation for three employees, it was determined that the employees' payroll charges to Measure Q were based on a fixed budgeted percentage. The department performed a subsequent analysis utilizing the percentage of bond funded work reported on the Semi-Annual Certifications submitted by all employees in the department. It was determined, that there were instances in which Semi-Annual Certifications were reporting budgeted information, and therefore cannot be relied upon as a relevant metric for determining the employees' time spent on Measure Q related activities.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year should establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, which is not based on budgeted assumptions, to make the relative adjustments at the end of the year.

- e. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure Q were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure Q is reasonable. Based on the analysis performed by the District, it was determined that the District undercharged Measure Q, therefore not leading to ineligible costs.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

- f. Based on our review of payroll documentation for seven employees, it was determined that the employees' payroll charges to Measure Q were based on a fixed budgeted percentage. 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 during the fiscal year.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023**

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**Recommendation**

We recommend the following to the District:

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

**Views of Responsible Officials and Planned Corrective Actions**

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE Q  
PERFORMANCE AUDIT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2023**

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**MQ-2022-001 – Payroll Expenditure Charges**

**Recommendation**

We recommend the following to the District:

- a. Adjust Measure Q's expenditures for the ineligible hours pertaining to non-bond related activities identified in our finding.
- b. Establish separate non-bond accounts for employees whose position is 100% bond funded and is defaulted to a Bond Labor Overhead account, in the event these employees perform non-bond related activities which need to be separately accounted for. charge such non-bond work.
- c. Establish policies and procedures to provide guidance to employees regarding identifying the difference between bond and non-bond related activities, and the manner in which these activities should be accounted for on their timesheets.
- d. 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, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities.

**Views of Responsible Officials and Planned Corrective Actions**

The District concurs with the recommendations:

- a. Measure Q's expenditures will be adjusted according to the finding.
- b. Employees whose position are 100% bond funded and charges a Bond Labor Overhead account will be trained to establish and utilize a non-bond account when performing non-bond work.
- c. Policies and Procedures will be established for guidance for employees to differentiate between bond and non-bond-related activities and how to properly account for these activities on their timesheets.
- d. Policies and Procedures will be established for guidance for departments to develop appropriate expenditure-based metrics to benchmark their bond versus non-bond percentage of work.

The implementation of these corrective actions will be completed in May 2023.

**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, 2023**

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**MQ-2021-003 – Survey of Compensation of Managers**

**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).

**Current Status**

Implemented.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
JUNE 30, 2023**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
June 30, 2023**

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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 RR School Bond Construction Program** for the year ended June 30, 2023.

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 5 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure RR 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 RR 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 21, 2024

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
LEGISLATIVE HISTORY  
June 30, 2023**

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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 RR  
PERFORMANCE AUDIT  
MEASURE RR GENERAL OBLIGATION BONDS  
June 30, 2023**

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The Measure RR School Bond Construction Program (Measure RR) or "the school upgrades and safety measure" 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 update classrooms/labs/technology for 21<sup>st</sup> century learning; implement COVID-19 facility safety standards; address school facility inequities; reduce asbestos, earthquake and water quality hazards; and replace/renovate aging school classrooms/buildings.

The Board of Education (the Board) has established a School Construction Bond Citizens' Oversight Committee (BOC) to ensure that the proceeds of Measure RR's bond issuances are used for the purposes stated in the Board Resolution (the Resolution), which placed Measure RR on the 2020 ballot.

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

- Upgrade, acquire, and/or install communication and safety/security systems, networks, fixtures, infrastructure, and equipment.
- address/telecommunications, and exterior lighting.
- Install and/or replace security gates, fencing, and master key/door lock and access control systems, fixtures, and equipment.
- Replace plumbing systems and/or fixtures to address lead or deterioration and/or improve water quality.
- Upgrade and/or rehabilitate grounds, fixtures, buildings, and structures or portions thereof, including, but not limited to, hand sanitizing stations touchless faucets, automatic flush urinals, and toilets, motion sensor hand dryers, touchless/hands-free/automatic doors, physical barriers such as clear plastic sneeze guards, and ventilation systems, to eliminate or mitigate health and safety risks and/or comply with local, state and federal building, health, safety, access, and other related guidelines, guidance, or requirements, including those related to COVID-19.
- Retrofit, rehabilitate, reconstruct, and/or replace school buildings to improve earthquake safety.
- Install and/or upgrade air quality improvement systems and equipment.
- Furnish and equip school facilities with technology.
- Upgrade, replace, acquire, and/or install technology infrastructure, systems, fixtures, hardware, and software.
- Modernize, renovate, replace, and/or upgrade school facilities.
- Replace, upgrade, and/or install major site, building, and utility systems and equipment.
- Construct and/or upgrade clean, renewable, sustainable, and efficient energy and/or water systems, equipment, and features
- Renovate, install, construct, upgrade, and/or replace school grounds, gardens, outdoor areas, outdoor structures, outdoor learning areas, landscape, hardscape, permeable surfaces, irrigation, drainage, storm drain connections, and stormwater retention systems, which may include the removal of portable or modular buildings.
- Construct, upgrade, and/or expand pathways, path of travel, paved areas, roads, sidewalks, pick-up/drop-off areas, and parking lots and related areas.
- Construct, reconstruct, rehabilitate, expand, and/or replace athletic, recreational, and/or sports facilities including, but not limited to, play areas, playgrounds, play fields, gymnasiums, stadiums, athletic fields, and tracks (synthetic or natural), tennis courts and other hardcourts, pools, baseball/softball dugouts and batting cages, stadiums, bleachers, press boxes, announcer's booths, scoreboards, and locker rooms.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
MEASURE RR GENERAL OBLIGATION BONDS  
June 30, 2023**

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- Renovate, replace, and/or install lighting for athletic fields, play fields, tracks, courts, and stadiums.
- Rehabilitate closed schools, centers, and/or sites to be operational, and renovate/upgrade such schools, centers, and/or sites to meet health, safety, and access requirements, and efficiency and program needs.
- Acquire or replace school buses.
- Americans with Disabilities Act (ADA) and other accessibility upgrades, renovations, and installations to physical elements/areas.
- Indoor and outdoor furniture including, but not limited to, desks, chairs, benches, tables, modular furniture, bookcases and lockers.
- Technology including, but not limited to, laptops, laptop carts, computers, tablets, mobile devices, digital projectors, 3D printers, smart/interactive whiteboards, UAV/UAS educational drones, cameras, document cameras, sound amplification devices, monitors, ceiling mounted projectors, televisions, copiers, scanners, printers, microphones, audio systems, video systems, announcement displays, and digital marquees.
- Equipment, including, but not limited to, computer science equipment, robotics equipment, science lab equipment, career technical education industry-specific equipment, food service equipment, and gymnasium or athletic equipment such as basketball backboard and rim systems, baseball/softball dugouts and batting cages, and soccer goal posts and nets.
- Acquire, construct, furnish, and equip new schools, classrooms, classroom buildings, adult and career technical education facilities, preschool facilities, labs, gymnasiums, other school athletic, recreational, and sports facilities.
- Development of District-owned facilities for charter schools pursuant to, without limitation, a District augmentation program.
- Consistent with the District's responsibilities under Education Code Section 47614, renovate school facilities.
- Construction of new and expansion of existing school-based wellness clinics.
- Construction, reconstruction, rehabilitation, and replacement of athletic, recreational, and/or sports facilities.

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

The Measure RR initiative authorized the issuance of \$7.0 billion in bonds. \$0.700 billion has since been issued between November 2021 and June 2023. The bonds are included in the audited financial statements of the District.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**OBJECTIVES OF THE AUDIT**

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure RR funds for the year ended June 30, 2023, 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, Construction Contracts in accordance with the District's Operational Standards Policies & Procedures and Desk-Top Procedures for Facilities Contracts, and Goods and Supplies Contracts in accordance with the District's Procurement Manual.

3. Survey of Compensation of Managers

Determine that the District was compliant with the Measure RR Resolution requirements regarding the Survey of Compensation of Managers (Survey), 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.

The scope, methodology, and conclusions of the above objectives are enumerated on pages 6 through 14 of this report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

---

**1. BOND EXPENDITURES AND RECORDKEEPING**

Objective

Determine that the District expended Measure RR funds for the year ended June 30, 2023, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Scope

The scope covers the period from July 1, 2022, to June 30, 2023. The population of expenditures tested includes object codes and specific projects associated with Measure RR.

A total of \$129.4 million in expenditures were identified for fiscal year ended June 30, 2023, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ -
Services and other operating expenditures	27,539
Capital outlay	89,744
<i>Total non-payroll expenditures</i>	<u>117,283</u>
Payroll Expenditures:	
Classified salaries	278
Employee benefits	83
<i>Total payroll expenditures</i>	<u>361</u>
Other Financing Uses:	
Transfers out	11,729
<i>Total other financing uses</i>	<u>11,729</u>
<b>Total Measure RR Expenditures per AAFR - District Bonds Fund</b>	<b><u>\$ 129,373</u></b>

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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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, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure RR, Fund 216, as of June 30, 2023.

Conclusion

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

b. Procedures Performed

We selected a total of 89 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$61.9 million or 52.8% 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 RR'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 RR'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 RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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**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 27 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$827K 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 RR'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 RR 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 RR 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 Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, 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 the time associated with actual activities performed on Measure RR, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure RR were based on actual time spent on Measure RR related activities.



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Conclusions

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

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

We identified one instance of non-compliance with Procedure (c)(iv). Refer to finding **MRR-2023-001** in the Schedule of Findings and Responses for further details.

d. Procedures Performed

We selected 1 Transfer Out (sampled transfer) 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 RR'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 RR funds.

Conclusions

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT  
SCHOOL BOND CONSTRUCTION PROGRAM  
MEASURE RR  
PERFORMANCE AUDIT  
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS  
June 30, 2023**

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

Scope

The scope covers contracts/agreements procured during the period of July 1, 2022, to June 30, 2023, in which the original funding strategy source assigned was Measure RR.

Procedures Performed

We selected 4 Professional Services Agreements to determine whether 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 1 Construction Contract to determine the District procured those 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.

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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 the remaining requirements before the contract was awarded.
  - Within 10 days of receipt of NOIA, the awarded contractor picked up the NOIA package, plans, and specification, including any addenda; enrolled in OCIP; and submitted the package to the FCC: (1) one executed original of the payment bond (2) one executed original of the performance bond (3) confirmation that bidder submitted the required paperwork to enroll in the Owner Controlled Insurance Program (OCIP). Certain contracts do not require OCIP and Advertisement because of the nature of the service rendered, such as "Emergency Asbestos Removal". In these cases, the contractor was required to provide a copy of their own insurance coverage.
- v. We verified that the contract award was properly authorized and approved by the Board.
- vi. We verified that the extract of the Public Works Contract (PWC) Award was forwarded to the California Department of Industrial Relations - Division of Apprenticeship Standards.

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

Procedures Performed *(continued)*

We selected 2 Goods and Supplies Contracts to determine the District procured the contracts in accordance with the applicable requirements of the Procurement Manual by testing the following for the selected contracts:

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

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 Contract in accordance with the applicable requirements of the District's Operational Standards Policies & Procedures, and Desk-Top Procedures for Facilities Contracts, and selected Goods and Supplies Contracts in accordance with the District's Procurement Manual.

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**3. SURVEY OF COMPENSATION OF MANAGERS**

Objective

Determine that the District was compliant with the Measure RR Resolution requirements regarding the Survey of Compensation of Managers (Survey), 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.

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 complied with Measure RR's Survey of Compensation of Managers requirement by presenting the Survey to the Board and obtaining a finding that compensation levels for managers of the FSD are competitive in the marketplace for recruitment and retention purposes on November 14, 2023.

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**MRR-2023-001 – Payroll Expenditure Charges**

**Criteria**

District departments seeking approval of the use of Bond Funds for personnel costs must submit justification to the CBO'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 CBO's Bond Compliance Unit is responsible for approving Bond-Funded positions by reviewing the submitted justification validating the need for the position and maintaining copies of the submitted supporting documentation.

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

Payroll expenditures charged to Measure Rk should be adjusted at the end of the year to reflect the actual time spent or a system in place to establish relevant metrics properly, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure RR related activities.

**Condition, Cause & Effect**

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

- a. Based on our review of payroll documentation for one employee, it was determined that the employee's payroll charges to Measure RR were based on an evaluation of the work conducted by the District employees and contract professionals in which the employee supervises, which was determined to be based on a fixed budgeted percentage. We requested the department to conduct an analysis of the actual time performed by these District employees and contract professionals to determine if the payroll expenditures charged to Measure RR is reasonable. Based on the analysis performed by the District, it was determined that the District undercharged Measure RR, therefore not leading to ineligible costs.

Departments who utilize a fixed budgeted percentage to charge an employee's payroll charges throughout the fiscal year to the bond funds should support these charges by conducting an analysis, prior to the close of the books, of actual time spent during the year to adjust the bond funds accordingly.

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**Recommendation**

We recommend the following to the District:

- a. Provide training, guidance, and support to the specific departments of the employees identified in our finding, regarding the analysis of payroll expenditures charged to Measure RR against actual time spent or a system in place to properly establish relevant metrics, not based on budgeted assumptions, necessary to distinguish bond-funded versus non-bond funded activities, on Measure Rr related activities. Further, the District should ensure that personnel responsible for making such decisions on behalf of the departments are present for the training.

**Views of Responsible Officials and Planned Corrective Actions**

- a. The District will provide annual training, guidance, and support to all departments with employees charging time on bond funds. The District will require personnel that are responsible for employees that charge the bond funds be provided training to include the time reporting procedures and collection of relevant metrics in order to evaluate necessary adjustments to the bond charges.



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No matters were reported.