

LOS ANGELES UNIFIED SCHOOL DISTRICT
Proposition BB, Measure K, Measure R, and
Measure Y School Bond Construction Programs
Agreed-Upon Procedures Report for the Year Ended
June 30, 2013 and Statements of Bond Expenditures
from Inception through June 30, 2013
(With Independent Auditor's Reports Thereon)





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CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Accountant's Report
on Applying Agreed-Upon Procedures
and Management's Responses to Exceptions**

The Honorable Board of Education
Los Angeles Unified School District:

We have performed the procedures enumerated below, for the Proposition BB, Measure K, Measure R, and Measure Y School Bond Construction Programs (Bond Programs) which were agreed to by the Los Angeles Unified School District's (the District or LAUSD) officials and bond oversight committee, solely to assist the District and its management in fulfilling its oversight responsibility surrounding the administration of the Bond Programs for the year ended June 30, 2013. District management is responsible for the administration of the Bond Programs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the corresponding findings are as follows. The samples selected below were for proposition BB, Measure K, Measure R, and Measure Y expenditures, unless otherwise noted.

1. Procedure

From a population of all expenditures charged to Object Code #6000 in the general ledger (IFS) for the year ended June 30, 2013, we selected 10 expenditures for each of the General Obligation (GO) Bond Funds (Proposition BB, Measure K, Measure R, and Measure Y). We also selected an additional Information Technology Department (ITD) expenditure for each of the Measures K, R and Y. We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 1.1** We tested the 43 invoices from the different Bond Funds selected in Procedure 1 to determine whether amounts expended were consistent with the work scope of each of the respective bond measures as presented to the voters and further defined by various Board approved Strategic Execution Plans and amendments.

Results

We read the ballot measures to understand the work scope and list of specific projects proposed to be financed with the proceeds of the GO Bonds. We then inspected the invoices supporting the samples tested to determine whether amounts expended were consistent with the work scope of each bond measure. As required by Section 3 of Proposition 39, a list of specific projects is to be presented to the voter in each ballot.





As such, we identified the projects to which the above expenditures were incurred and traced these projects to the Bond Project List presented in the Full Text of Ballot Measure K, R and Y (Proposition BB was issued under the traditional authority and not under Proposition 39; therefore references to specific school facilities projects were not required).

No exceptions were noted as a result of performing this procedure.

- 1.2** We tested the 43 invoices from the different GO Bond Funds selected in Procedure 1, to determine whether the corresponding projects or non-project allocations in each of the invoices were included in the related Strategic Execution Plan (SEP) or approved SEP amendments. If the invoice had multiple projects, up to 5 projects from the invoice were traced to the SEP.

Results

No exceptions were noted as a result of performing this procedure.

- 1.3** For the items selected in Procedure 1 above that represent construction payments, we determined whether the following requirements of GO Bond construction project payments procedures had been met:

- a) There are signatures on the required lines where an Owner Authorized Representative (OAR) validates that the contractor has certified the Application for Payment, and that the OAR has signed it.
- b) Payment package includes the Encumbrance/Payment request form, the Application for Payment, the Owner Assessment Summary, and other necessary supporting documents.

Results

There were 18 samples that we selected in Procedure 1 above which represented construction payments. No exceptions were noted as a result of performing this procedure.

- 1.4** For the items selected in Procedure 1 above, we determined whether the payment package was appropriately approved and reviewed for payment.

- a) The invoice was appropriately approved by a Los Angeles Unified School District employee on the Encumbrance/Payment Request form or other appropriate approval form.
- b) For each invoice, the related encumbrance/payment request was signed by the District FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments.

Results

We noted one (1) item that was not signed by an FPPS Analyst for accuracy, completeness, and proper approvals prior to the processing of the payments. However, the item was properly reviewed and approved by authorized District personnel.



Management Response

Management concurs that the request for replenishment of the Utilities imprest account is an exception to the Facilities payment process and was properly reviewed and approved by authorized District personnel. The sample is not a payment for a vendor invoice. It is an internal request to Accounts Payable to replenish the \$500,000 Utilities imprest account.. The Encumbrance/Payment Request was appropriately reviewed by the District FPPS Financial Specialist and approved by the Director of Program Support Services. The Imprest Fund Claim Form was certified by the Director of Program Support Services, the Imprest account administrator, in compliance with Bulletin No. REF-1706.2 Imprest Funds, Guidance on the Appropriate Use of Imprest Fund Accounts.

2. Procedure

From the population of all expenditures charged to Object Code #1000 and #2000 in IFS to the Proposition BB, Measure K, Measure R and Measure Y bond funds, collectively referred to as the GO Bond Funds, for the fiscal year ended June 30, 2013, we selected 10 total expenditures for all GO Bond Funds combined (Proposition BB, Measure K, Measure R, and Measure Y) to perform the following procedures:

- 2.1** We determined whether the items selected for Measure K, Measure R and Measure Y were spent on “administrator salaries” as referenced in the ballot measures, or “teacher salaries” as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b) (3) (A) and the California Attorney General.

Results

After interviewing 10 employees whose salaries were fully or partly charged to the bond funds, we noted one (1) employee whose job description did not establish clear compliance with the requirements of Measures Y. The employee’s job title is “investigator”. He works as part of the Investigations Unit of the Office of the Inspector General. He stated that his main projects include performing due diligence for charter schools, as part of LAUSD’s evaluation process of such schools. He also worked on investigating potential new hires, as requested by the Human Resources Department. In FY 12-13, he also worked on projects involving investigating suppliers that contracted with the Facilities Department. His salary was fully charged to Measure Y in FY 12-13.

Management Response

The OIG investigative staff does not currently track its time by project or funding source so it is not possible to identify the level of staff time with a funding source. Going forward, the OIG will implement a policy to track investigative staff time by project and by funding source to ensure that the appropriate allocation of staff time to funding source is maintained.

- 2.2** For each expenditure selected in Procedure 2 for Proposition BB, we determined that no bond funds were spent on “administrator salaries” as noted in the ballot measure.

Results

There were no expenditures in Object 1000 and 2000 for Proposition BB. This procedure is therefore, not applicable.



3. Procedure

From a population of all expenditures charged to Object Code #4000 and #5000 in IFS to all Proposition 39 Local Bond Funds (Measure K, Measure R and Measure Y) during the fiscal year ended June 30, 2013, we selected a sample of 10 expenditures and an additional one ITD expenditure. We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 3.1** We reviewed the invoices to determine whether bond funds were used for "other day-to-day school operating expenses" as referenced in the State Proposition 39 as codified in the State Constitution, Article 13A, Section 1(b)(3)(A). We also determined whether the expenditures complied with the additional guidance provided by the California Attorney General.

Results

No exceptions were noted as a result of performing this procedure.

4. Procedure

From a population of all expenditures charged to Object Code #5000 and #6000 in IFS to all GO Bond Funds for the fiscal year ended June 30, 2013, we selected 10 expenditures corresponding to 10 individual program management/construction management firms. We noted that ITD does not employ construction management firms. We obtained supporting invoices for the expenditures selected and performed the following procedures:

- 4.1** We obtained a copy of the contract for each program management/construction management firm selected and we reviewed each invoice for consistency with contract terms.

Results

We obtained a list of programs or construction management firms utilized by the District from the Facilities Construction Contract Unit. We obtained a copy of the contract, including approved amendments, for each of the 10 selected program and construction management firms. We read the contract provisions specifically covering charges and payments.

In addition to the contract, we utilized the Program Support Services Invoicing Guidelines (Guidelines) designed by the Facilities Services as a guide, if applicable, in reviewing invoices to determine whether the information provided in the billing was consistent with the contract.

No exceptions were noted as a result of performing this procedure.

5. Procedure

From a population of all expenditures charged to Object Code #4000, #5000, and #6000 in IFS to all GO Bond Funds during the fiscal year ended June 30, 2013, we selected all expenditures from the samples selected in Procedure 3 and Procedure 4 above and obtained corresponding invoices. We tested the sample of invoices to determine compliance with District Bond Charging Procedures.

Results

In conjunction with the issuance of GO Bonds, the District drafted Bond Charging Procedures for



Measures K, R and Y and Proposition BB to provide procedures relating to the distribution and assignment of costs. Based on the bond charging procedures, bond proceeds shall not be applied to any purposes other than those for which the bonds were issued. In addition, there are other general guidelines such as the intent of the voters as reflected in the Bond Project List, Strategic Execution Plan and the California School Accounting Manual. These are guidelines being referred to in the Bond Charging Procedures. We examined the invoices to determine compliance with District Bond Charging Procedures. No exceptions were noted as a result of performing this procedure.

6. Procedure

From a listing of change orders approved during the fiscal year ended June 30, 2013 generated from the Project Information Control (PIC) system, we selected 20 change orders from all GO Bond Funds. We obtained the District Change Order Procedures and performed the following review to determine compliance with the District's Change Order Procedures.

- 6.1** We compared the "Not to exceed Limits" to determine the compliance with the following procedures. According to the Change Order Procedures, individual change orders for New Construction work may not exceed 10% of the original contract price before securing additional bids. For demolition, reconstruction or rehabilitation work of existing structures, individual change orders may exceed ten percent (10%) according to the Public Contract Code, but must not exceed twenty-five percent (25%) of the original contract price.

Results

No exceptions were noted as a result of performing this procedure.

- 6.2** We determined whether the change order package was submitted with the required documents in accordance with the Change Order checklist from the change order preparation requirements.

Results

No exceptions were noted as a result of performing this procedure.

- 6.3** For End User-initiated change orders, we verified whether the related scope changes did not commence nor the Owner Authorized Representative (OAR) did not process the Change Order until the following has been completed:

- End User-initiated Scope Change Request Form completed by OAR
- Review and approval by Construction Manager/ Senior Project Manager, Regional Construction Director and Deputy Director of Facilities Project Execution
- Request For Proposal (RFP) or Constructive Directive (CD) issued to Contractor.

Results

None of the 20 samples we tested is an End User-initiated change order. No exceptions were noted as a result of performing this procedure.

- 6.4** We verified compliance with the signatory requirements on the Change Order form.

Results

No exceptions were noted as a result of performing this procedure.



7. Procedure

We determined whether the total expenditures reported in the year-end "Statements of Bond Expenditures" for each GO Bond Fund measure agree with the corresponding Comprehensive Annual Financial Report (CAFR) bond fund expenditures for the year ended June 30, 2013.

Results

No exceptions were noted as a result of performing this procedure.

8. Procedure

We selected 10 New Construction projects from the June 2012 Facilities Services Division (FSD) Strategic Execution Plan (SEP) and verified the sample projects for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for New Construction projects:

- 8.1 For each of the 10 projects, we compared the SEP project budgets from the June 2012 FSD SEP to the June 2013 FSD SEP. For each project with a 2013 FSD SEP project budget that is greater than 105% of the 2012 FSD SEP project budget, if applicable, we determined if the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

- 8.2 For each of the 10 projects, we compared the project's scheduled school occupancy date from the 2012 FSD SEP to the 2013 FSD SEP. For each project with a 2013 FSD SEP school occupancy date that is later than the 2012 FSD SEP school occupancy date, if applicable, we determined if the project's schedule change in readiness for use as a school or campus element was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

- 8.3 For each of the 10 projects, we compared the project's scope from the 2012 FSD SEP to the 2013 FSD SEP. For each project with a 2013 FSD SEP scope that differs significantly from the 2012 FSD SEP scope, if applicable, we determined if the project's scope change was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

9. Procedure

We selected 10 samples of Repairs and modernization project types (such as classroom lighting, exterior paving and roofing) from the 2012 FSD SEP to verify compliance of sampled projects with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for Existing Facilities Projects.



9.1 For each of the 10 project types selected, we compared the aggregate June 2012 FSD SEP Current Budget to the aggregate June 2013 FSD SEP Current Budget. For any project types selected with an aggregate 2013 FSD SEP Current Budget that is greater than 105% of the aggregate 2012 FSD SEP current budget, if applicable, we determined whether the budget increase was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

9.2 We selected one specific project from the June 2012 FSD SEP for each of the 10 project types selected in procedure 9.1. For each sampled project that has a June 2013 FSD SEP scheduled substantial completion date that is 12 months or greater than the June 2012 FSD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

9.3 For each project selected in procedure 9.2 from the June 2012 FSD SEP that was cancelled when compared to the June 2013 FSD SEP, if applicable, we determined whether the project cancelled was reported to the BOC.

Results

No exceptions were noted as a result of performing this procedure.

10. Procedure

We inquired of District management as to whether a survey of the 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 had been performed in accordance with the provision of Measure Y.

10.1 We determined whether Facilities Services Division management compensation survey was performed and presented to the Board of Education.

10.2 We determined whether the District declared a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Results

According to the provisions of Measure Y, managers of the Facilities Services Division shall have the educational and employment experience comparable to that of persons with similar responsibility in the private sector. 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 sectors, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated accordingly.



We inquired of District management and verified that there was no survey performed by the District's Personnel Commission in FY 12-13 that was aimed at addressing the provisions of Measure Y above. Consequently, the District failed to declare a finding that the managers of the District's Facilities Services Division are being compensated accordingly.

Based on the information gathered above, the District is not in compliance with the requirements of Measure Y.

Management Response

In light of the severity of the recent State financial crisis, the District has not been in a position to provide compensation increases to its employees, including the management of the Facilities Services Division. In the fall of 2013, the Superintendent requested that the Personnel Commission incorporate the required salary study of Facilities executive management into a broader, more comprehensive study of all management staff. Staff anticipates completion of this study before the end of this calendar year.

11. Procedure

We selected a sample of two (2) G.O. Bond Information Technology Division (ITD) project types, LAN Modernization and Radio Systems project, from the 2012 ITD SEP. We reviewed the selected project types for compliance with the LAUSD School Construction Bond Citizens' Oversight Committee (BOC) Memorandum of Understanding for ITD projects:

11.1 For each of the 2 project types selected in procedure 11, we compared the aggregate June 2012 ITD SEP Current Budget to the aggregate 2013 ITD SEP Current Budget. For each of the 2 project types selected with an aggregate 2013 ITD SEP Current Budget that is greater than 105% of the aggregate 2012 ITD SEP Current Budget, if applicable, we determined whether the budget increase was reported to the BOC.

Results

We selected two project types from the 2012 ITD SEP, 1) School Network Modernization Program and 2) Radio Systems. We compared the budgets of these two project types in the 2012 and the 2013 ITD SEP. The budgets in the 2013 ITD SEP did not exceed the budgets in the 2012 ITD SEP by greater than 105%. No exceptions were noted as a result of performing this procedure.

11.2 We selected 10 specific projects (schools within the School Network Modernization Program) from the 2012 ITD SEP. There were no projects stated within the project type, Radio Systems. For each project selected from the 2012 ITD SEP that has a scheduled substantial completion date that is 12 months or greater than the 2013 ITD SEP substantial completion date, if applicable, we determined whether the delay was reported to the BOC.

Results

We noted that the 2012 ITD SEP indicated construction completion dates for the 10 specific projects selected while the 2013 ITD SEP indicated project completion dates. According to ITD, construction completion date differs from the project completion date and therefore, the two dates are not comparable. Therefore, we were unable to identify any project delays of 12 months or more based on the information in the two ITD SEPs.



11.3 For each project selected in procedure 11.2 from the 2012 ITD SEP that was cancelled when compared to the 2013 ITD SEP, if applicable, we determined whether the project cancelled was reported to the BOC.

Results

We did not note any projects in the School Network Modernization Program in the 2012 ITD SEP that were cancelled in the 2013 ITD SEP. No exceptions were noted as a result of performing this procedure.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the District's administration of the Proposition BB, Measure K, Measure R and Measure Y School Bond Construction Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The District's written response to the exceptions identified in the report has not been subjected to auditing procedures and accordingly, we do not express an opinion on it.

The report is intended only for the information and use of the Board of Education, management, and members of the Citizens' Oversight Committee of the Los Angeles Unified School District and is not intended to be, and should not be used by anyone other than these specified parties

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

Los Angeles, California
February 28, 2014