

LOS ANGELES UNIFIED SCHOOL DISTRICT

Proposition BB, Measure K, Measure R, Measure Y,
Measure Q, and Measure RR
School Bond Construction Programs
Audited Financial Statements
Year Ended June 30, 2022



LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Year Ended June 30, 2022

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Notes to Basic Financial Statements	6
Supplementary Information:	
Statement of Bond Expenditures	18
Notes to Statement of Bond Expenditures	19
Supplementary Schedule of Sources and Uses of Funds and Fund Balance	20
Notes to Supplementary Schedule of Sources and Uses of Funds and Fund Balance	22
Supplementary Schedule of Bond Expenditures:	
Proposition BB - Period from April 8, 1997 (Inception) through June 30, 2022	23
Measure K – Period from November 5, 2002 (Inception) through June 30,2022	24
Measure R – Period from March 2, 2004 (Inception) through June 30,2022	25
Measure Y – Period from November 8, 2005 (Inception) through June 30,2022	26
Measure Q – Period from November 4, 2008 (Inception) through June 30,2022	27
Measure RR – Period from November 3, 2020 (Inception) through June 30,2022	28
Notes to Supplementary Schedule of Bond Expenditures	29
Other Independent Auditor's Reports	
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	31
Independent Auditor's Management Letter	35

This page intentionally left blank for formatting purposes.



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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 (Proposition BB, Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2022, 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 (Proposition BB, Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds) as of June 30, 2022, 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 (Proposition BB, 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 18 to 19 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 relate 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 20 to 22, and the schedule of bond expenditures and related notes on pages 23 to 30 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 9, 2023, 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, reading 'Simpson & Simpson'.

Los Angeles, California

March 9, 2023

LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Balance Sheet
Year Ended June 30, 2022
(in thousands)

	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR	Total District Bond Funds
Assets							
Cash in county treasury	\$ -	\$ 181,879	\$ 95,716	\$ 86,841	\$ 838,222	\$ 266,387	\$ 1,469,045
Accrued interest receivable	-	562	318	281	2,550	781	4,492
Prepays	-	101	-	-	-	-	101
Total Assets	-	182,542	96,034	87,122	840,772	267,168	1,473,638
Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflow of Resources	<u>\$ -</u>	<u>\$ 182,542</u>	<u>\$ 96,034</u>	<u>\$ 87,122</u>	<u>\$ 840,772</u>	<u>\$ 267,168</u>	<u>\$ 1,473,638</u>
Liabilities and Fund Balances							
Vouchers and accounts payable	\$ -	\$ 6,006	\$ 409	\$ 275	\$ 30,386	\$ 981	\$ 38,057
Contracts payable	-	18,687	386	184	82,081	5,029	106,367
Accrued payroll	-	102	60	122	10,485	187	10,956
Other payables	-	199	357	1,363	3,312	71	5,302
Total Liabilities	-	24,994	1,212	1,944	126,264	6,268	160,682
Deferred Inflows of Resources	-	-	-	-	-	-	-
Fund Balances							
Nonspendable	-	101	-	415	-	-	516
Restricted	-	157,447	94,822	84,763	714,508	260,900	1,312,440
Total Fund Balances	-	157,548	94,822	85,178	714,508	260,900	1,312,956
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 182,542</u>	<u>\$ 96,034</u>	<u>\$ 87,122</u>	<u>\$ 840,772</u>	<u>\$ 267,168</u>	<u>\$ 1,473,638</u>

See accompanying notes to basic financial statements.

LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022
(in thousands)

	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR	Total District Bond Funds
Revenues							
Other local revenues	\$ 6	\$ (6,565)	\$ (3,508)	\$ (3,231)	\$ (26,020)	\$ (10,207)	\$ (49,525)
Total Revenues	6	(6,565)	(3,508)	(3,231)	(26,020)	(10,207)	(49,525)
Expenditures							
Current							
Classified salaries	36	126	394	11,172	26,041	49	37,818
Employee benefits	15	114	182	405	23,807	71	24,594
Books and supplies	8	551	-	114	-	3	676
Services and other operating expenditures	1,471	3,217	1,121	2,656	19,303	733	28,501
Capital outlay	7	50,812	3,410	3,530	657,316	24,851	739,926
Debt Service Principal	-	3	-	-	-	-	3
Total Expenditures	1,537	54,823	5,107	17,877	726,467	25,707	831,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,531)	(61,388)	(8,615)	(21,108)	(752,487)	(35,914)	(881,043)
Other Financing Sources (Uses)							
Transfers in	5	23,121	6,572	2,642	213,199	-	245,539
Transfers out	(1,986)	(583)	(63,604)	(28,787)	(2,316)	(3,186)	(100,462)
Proceeds from sale of bond	-	-	123,990	70,150	-	300,000	494,140
Leases	-	9	-	-	-	-	9
Total Other Financing Sources (Uses)	(1,981)	22,547	66,958	44,005	210,883	296,814	639,226
Net Changes in Fund Balances	(3,512)	(38,841)	58,343	22,897	(541,604)	260,900	(241,817)
Fund Balances, July 1, 2021	3,512	196,389	36,479	62,281	1,256,112	-	1,554,773
Fund Balances, June 30, 2022	\$ -	\$ 157,548	\$ 94,822	\$ 85,178	\$ 714,508	\$ 260,900	\$ 1,312,956

See accompanying notes to basic financial statements.

This page intentionally left blank for formatting purposes.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

(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 basic financial statements.

(a) Reporting Entity

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

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

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

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

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

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

On November 3, 2020, Los Angeles voters authorized \$7.000 billion in general obligation bonds (Measure RR) for various purposes including new construction, acquisition, rehabilitation and upgrading of specifically identified school facilities and implementing COVID-19 facility safety standards. The measure was approved by 71% of the voters.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

The Statements are presented for the individual Proposition BB, and Measures K, R, Y, and Q General Obligation Bonds of the District, consisting of Election of 1997, Series A, B, C, D, E, and F, Election of 2002, Series A, B, C, and D, Election of 2004, Series A, B, C, D, E, F, G, H, I, J, and K, Election 2005, Series A, B, C, D, E, F, G, H, I, J-1, J-2, K, L, M-1, and M-2, Election 2008, Series A, B-1, and B-2, and multi-measure issuances Series KRY (2009), KRY (BABs, 2010), KRY (Tax-exempt, 2010), KY (2010), RYQ (2020), and RYRR (2021).

(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 requires consideration of the materiality of the item in question and due regard for the practicality of accrual, as well as consistency in application.

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

(c) *Financial Statement Presentation*

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

(d) *Fund Accounting*

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

(e) *Budgetary Control and Encumbrances*

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

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

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, 2022.

(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.

(i) *New Pronouncements*

The District adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

resources or outflows of resources based on the payment provisions of the contract. The adoption of this standard does not require the restatement of the June 30, 2021, fund balances in the governmental funds.

GASB Statement No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” has been evaluated and has no impact on the District’s financial reporting or notes.

GASB Statement No. 91 “Conduit Debt Obligation” has been evaluated and has no impact on the District’s financial reporting or notes.

GASB Statement No. 92 “Omnibus 2020” has been evaluated and has no impact on the District’s financial reporting or notes.

(2) Cash and Investments

Cash and investments as of June 30, 2022 are classified in the accompanying basic financial statements as follows (in thousands):

Balance Sheet	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Cash	\$ -	\$ 181,879	\$ 95,716	\$ 86,841	\$ 838,222	\$ 266,387
Cash held by trustee	-	-	-	-	-	-
Total cash and investments	\$ -	\$ 181,879	\$ 95,716	\$ 86,841	\$ 838,222	\$ 266,387

Cash and investments as of June 30, 2022 consist of the following (in thousands):

	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Cash on hand	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits with financial institutions and Los Angeles County Pool	-	181,879	95,716	86,841	838,222	266,387
Total cash and investments	\$ -	\$ 181,879	\$ 95,716	\$ 86,841	\$ 838,222	\$ 266,387

Deposits with financial institutions include: (1) cash in the Los Angeles County Pooled Surplus Investment Fund (\$1,469 billion).

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

Authorized Investment Type	Maximum Maturity	Maximum Total Par Value	Maximum Par Value per Issuer
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

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, 2022, 60.12% of district funds in the County PSI Fund does not exceed one year. The weighted Average Days to Maturity of its portfolio was 933 days..

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

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

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, 2022, 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 Basic Financial Statements

Year Ended June 30, 2022

(3) Long Term Obligations

The General Obligation (GO) Bonds outstanding balance as of June 30, 2022 consists of the following (in thousands):

Bond Issue	Sale Date	Principal Amount	Outstanding June 30, 2022	to Maturity		Final Maturity
				Min	Max	
KRY (2009-BAB) ^(a)	10/15/2009	\$ 1,369,800	\$ 1,369,800	5.750%	5.750%	2034
Election of 2005, H (2009)	10/15/2009	318,800	318,800	1.540	1.540	2025
RY (2010-BAB) ^(a)	3/4/2010	1,250,585	1,250,585	6.758	6.758	2034
Election of 2005, J-1 (2010) ^(c)	5/6/2010	190,195	190,195 ^(b)	5.981	5.981	2027
Election of 2005, J-2 (2010) ^(c)	5/6/2010	100,000	100,000 ^(b)	5.720	5.720	2027
2011A-1 Refunding	11/1/2011	206,735	27,435	5.000	5.000	2023
2012A Refunding	5/8/2012	156,000	17,090	2.000	5.000	2022
2014A Refunding	6/26/2014	196,850	20,480	5.000	5.000	2022
2014B Refunding	6/26/2014	323,170	100,155	5.000	5.000	2026
2014C Refunding	6/26/2014	948,795	713,850	3.000	5.000	2031
2014D Refunding	6/26/2014	153,385	95,430	5.000	5.000	2030
2015A Refunding	5/28/2015	326,045	164,550	5.000	5.000	2025
Election of 2008, A (2016)	4/5/2016	648,955	359,570	3.500	5.000	2040
2016A Refunding	4/5/2016	577,400	238,230	5.000	5.000	2030
2016B Refunding	9/15/2016	500,855	498,240	2.000	5.000	2032
2017A Refunding	5/25/2017	1,080,830	1,031,175	2.000	5.000	2027
Election of 2005, Series M-1 (2018)	3/8/2018	117,005	108,220	3.000	5.250	2042
Election of 2008, Series B-1 (2018)	3/8/2018	1,085,440	1,007,820	4.000	5.250	2042
2019A Refunding	5/29/2019	594,605	516,045	3.000	5.000	2034
Series RYQ (2020)	4/30/2020	942,940	784,650	4.000	5.000	2044
2020A Refunding	10/6/2020	302,000	291,455	3.000	5.000	2033
Measure Q, Series C (2020)	11/10/2020	1,057,060	893,005	3.000	5.000	2045
2021A Refunding	4/29/2021	196,310	192,000	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	48,855	0.408	1.888	2028
			<u>\$ 10,770,060</u> *			

* The total amount shown above excludes unamortized premium and discount of \$841.9 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 \$225.2 million representing \$111.2 million for Election of 2005, H (2009) (Tax Credit Bonds) and \$114.0 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 Basic Financial Statements

Year Ended June 30, 2022

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

Bond Issue	Outstanding June 30, 2022 by Proposition/Measure						
	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-2 (2010)				100,000			100,000
Election of 2005, J-1 (2010)				190,195			190,195
2011A-1 Refunding	27,435						27,435
2012A Refunding	-	-	17,090				17,090
2014D Refunding				95,430			95,430
2014C Refunding			713,850				713,850
2014B Refunding		100,155					100,155
2014A Refunding	20,480						20,480
2015A Refunding	164,550						164,550
Election of 2008, A(2016)					359,570		359,570
2016A Refunding	145,265	-	29,265	63,700			238,230
2016B Refunding		224,920	176,455	96,865			498,240
2017A Refunding	109,935	921,240					1,031,175
Election of 2008, Series B-1 (2018)					1,007,820		1,007,820
Election of 2005, Series M-1 (2018)				108,220			108,220
2019A Refunding		135,105	299,825	81,115			516,045
Series RYQ (2020)			29,955	151,450	603,245		784,650
2020A Refunding		108,865	108,375	74,215			291,455
Measure Q, Series C (2020)					893,005		893,005
2021A Refunding	25,290	6,350			160,360		192,000
Series RYRR (2021)			108,505	61,390		262,530	432,425
2021B Refunding		48,855					48,855
Totals	\$ 492,955	\$ 1,745,490	\$ 2,323,955	\$ 2,921,130	\$ 3,024,000	\$ 262,530	\$ 10,770,060

On October 27, 2021, the District issued \$494.1 million of new money General Obligation Bonds, Series RYRR (Dedicated Unlimited Ad Valorem Property Tax Bonds), and \$48.9 million of 2021 General Obligation Refunding Bonds, Series B (Federally Taxable, Dedicated Unlimited *Ad Valorem* Property Tax Bonds) to refund the outstanding General Obligation Refunding Bonds, Series A (2012) that had an outstanding par amount of \$46.37 million. The new money and refunding bonds received ratings of “AA+” from Fitch with a Stable Outlook, “AAA” from KBRA with a Stable Outlook, and “Aa3” from Moody’s with a Stable Outlook. In conjunction with this bond sale, Fitch revised its Rating Outlook to Stable from Negative. The new money bonds were issued to finance school modernization and IT projects. The refunding generated net present value savings of \$5.66 million or 12.21% of the refunded bonds.

The arbitrage payable balance reflects amounts due to the United States Treasury in order to comply with Internal Revenue Code Section 148(f). When the District issues tax-exempt debt, Internal Revenue Service (IRS) regulations limit the yield that the District can earn on the bond proceeds. If the District earns an amount in excess of the bond yield and does not qualify for a spending exception, the District must remit the excess earnings to the United States Treasury. Payments equal to 90% of the calculated excess earnings are due on each fifth anniversary of a bond’s issuance date. When a bond issue is retired, all of the remaining excess earnings must be remitted. As of June 30, 2022, there was no positive arbitrage rebate or yield restriction liability accrued.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

(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, 2022.

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 Basic Financial Statements

Year Ended June 30, 2022

(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, 2022 were as follows (in thousands):

From	To	Purpose	Transfer In	Transfer Out
General Fund	Building Fund – Measure R	Reimbursement of capital expenditures	175	
General Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	51	
Building Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	7	
Building Fund – Measure R	General Fund	Reimbursement of capital expenditures		(1,380)
Building Fund – Measure R	Building Fund – Measure K	Reimbursement of capital expenditures	4,891	(4,891)
Building Fund – Measure R	Building Fund – Measure Y	Reimbursement of capital expenditures	222	(222)
Building Fund – Measure R	Building Fund – Measure Q	Reimbursement of capital expenditures	56,962	(56,962)
Building Fund – Measure R	County School Facilities - Prop 47	Reimbursement of capital expenditures		(64)
Building Fund – Measure R	Special Reserve Fund	Reimbursement of capital expenditures		(82)
Building Fund – BB	Building Fund – Measure R	Reimbursement of capital expenditures	61	(61)
Building Fund – BB	Building Fund – Measure Q	Reimbursement of capital expenditures	1,925	(1,925)
Building Fund – BB	County School Facilities - Prop 47	Reimbursement of capital expenditures		(2)
Building Fund – Measure K	Building Fund – Measure R	Reimbursement of capital expenditures	446	(446)
Building Fund – Measure K	Building Fund – Measure Y	Reimbursement of capital expenditures	10	(10)
Building Fund – Measure K	Building Fund – Measure Q	Reimbursement of capital expenditures	52	(52)
Building Fund – Measure K	County School Facilities - Prop 47	Reimbursement of capital expenditures		(76)
Building Fund – Measure RR	Building Fund – Measure R	Reimbursement of capital expenditures	125	(125)
Building Fund – Measure RR	Building Fund – Measure Q	Reimbursement of capital expenditures	3,061	(3,061)
Building Fund – Measure Y	General Fund	Reimbursement of capital expenditures		(99)
Building Fund – Measure Y	Building Fund – Measure R	Reimbursement of capital expenditures	235	(235)
Building Fund – Measure Y	Building Fund – Measure K	Reimbursement of capital expenditures	90	(90)
Building Fund – Measure Y	Building Fund – Measure Q	Reimbursement of capital expenditures	27,992	(27,992)
Building Fund – Measure Y	County School Facilities - Prop 47	Reimbursement of capital expenditures		(370)
Building Fund – Measure Q	General Fund	Reimbursement of capital expenditures		(72)
Building Fund – Measure Q	Building Fund – Measure R	Reimbursement of capital expenditures	575	(575)
Building Fund – Measure Q	Building Fund – Measure K	Reimbursement of capital expenditures	24	(24)
Building Fund – Measure Q	Building Fund – Measure Y	Reimbursement of capital expenditures	24	(24)
Building Fund – Measure Q	Special Reserve Fund	Reimbursement of capital expenditures		(1,622)
Capital Facilities Fund	Building Fund – Measure R	Reimbursement of capital expenditures	150	
Capital Facilities Fund	Building Fund – Measure K	Reimbursement of capital expenditures	81	
Capital Facilities Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	6	
Capital Facilities Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	54,064	
County School Facilities - Prop 47	Building Fund – Measure R	Reimbursement of capital expenditures	4,354	
County School Facilities - Prop 47	Building Fund – Measure K	Reimbursement of capital expenditures	18,034	
County School Facilities - Prop 47	Building Fund – Measure Y	Reimbursement of capital expenditures	1,593	
County School Facilities - Prop 47	Building Fund – Measure Q	Reimbursement of capital expenditures	56,607	
Special Reserve Fund	Building Fund – Measure R	Reimbursement of capital expenditures	452	
Special Reserve Fund	Building Fund - BB	Reimbursement of capital expenditures	5	
Special Reserve Fund	Building Fund – Measure Y	Reimbursement of capital expenditures	786	
Special Reserve Fund	Building Fund – Measure Q	Reimbursement of capital expenditures	12,479	
Total			\$ 245,539	(100,462)

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

(7) Fund Equity

The following is a summary of fund balances at June 30, 2022 (in thousands):

	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR
Non Spendables						
Revolving cash and imprest funds	\$ -	\$ -	\$ -	\$ 415	\$ -	\$ -
Prepays	-	101	-	-	-	-
Total Nonspendable Balances	-	101	-	415	-	-
Restricted for						
District Bonds		157,447	94,822	84,763	714,508	260,900
Total Restricted Balances	-	157,447	94,822	84,763	714,508	260,900
Total Fund Balances	\$ -	\$ 157,548	\$ 94,822	\$ 85,178	\$ 714,508	\$ 260,900

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. These seek, among other things, to require the District to cease its Covid mitigating measures (e.g., vaccine mandate, masking, testing, etc.), to reinstate terminated, demoted, suspended, and laid-off employees, to remedy alleged noncompliance regarding special education services/schools, and to change existing instructional programs, pupil integration methods, and employment and administration procedures. In 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.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

(b) Construction Contracts

The District has entered into various contracts for the construction of facilities throughout the campuses. During fiscal year 2021-2022 the District entered into approximately 53 contracts with a combined value of \$663.9 million. The durations of the contracts range from 180 days to five years.

(9) Subsequent Events

On November 8, 2022, the District issued \$500 million of new money General Obligation Bonds, Series QRR (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Sustainability Bonds), to finance additional school modernization and IT projects. The bonds received ratings of “AAA”, “AAA”, and “Aa3” from Fitch, KBRA, and Moody’s, respectively.

SUPPLEMENTARY INFORMATION

LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Statement of Bond Expenditures
Year Ended June 30, 2022
(in thousands)

Cost Category	Proposition BB	Measure K	Measure R	Measure Y	Measure Q	Measure RR	Total District Bond Funds
Facilities Services Division Capital Programs							
New Construction	\$ 21	\$ 1,547	\$ 5,282	\$ 592	\$ -	\$ 112	\$ 7,554
School Modernization	115	48,545	50,776	21,772	625,767	24,345	771,320
Information Technology Network Upgrade	-	-	-	-	-	-	-
Adult and Career Education	-	-	-	(42)	594	-	552
Early Childhood Education	-	218	637	220	5,851	34	6,960
Charter Schools	-	108	2	-	1,353	-	1,463
Indirects	3,387	4,985	10,384	22,315	69,425	1,855	112,351
Total FSD Capital Programs	3,523	55,403	67,081	44,857	702,990	26,346	900,200
Information Technology Division Capital Programs							
Classroom Technology Modernization	-	-	-	-	23	-	23
School Network Modernization	-	-	48	2	5,071	-	5,121
Safety, Communications and Security Modernization	-	3	1,387	-	10,436	2,106	13,932
My Integrated Student Information System	-	-	-	-	-	-	-
Disaster Recovery & Business Continuity	-	-	-	-	2,486	-	2,486
Enterprise Software Systems	-	-	13	1,056	1,794	-	2,863
Total ITD Capital Programs	-	3	1,448	1,058	19,810	2,106	24,425
Transportation (Buses)	-	-	-	646	-	-	646
Library Services	-	-	-	-	-	-	-
Other Costs							
Cost of Issuance	-	-	182	103	-	441	726
Office of Bond Compliance	-	-	-	-	1,084	-	1,084
Office of Inspector General	-	-	-	-	4,899	-	4,899
Total Other Costs	-	-	182	103	5,983	441	6,709
Other Financing Uses							
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-	-	-
Total Expenditures	\$ 3,523	\$ 55,406	\$ 68,711	\$ 46,664	\$ 728,783	\$ 28,893	\$ 931,980

See accompanying notes to statement of bond expenditures.

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2022

(1) **Basis of Presentation**

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

The Proposition 39, Smaller Classes, Safer Schools and Financial Accountability Act (Prop 39 requires an annual, independent financial audit of the expenditures of proceeds from the sale of the school facilities bonds until all the proceeds have been expended. Accordingly, the statement of bond expenditures includes all amounts expended using bond proceeds regardless of expenditure types.

a) Actual Expenditures Incurred

The amounts included within the accompanying statement of bond expenditures represent actual expenditures paid and accrued by the District for the year ended June 30, 2022, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

b) Cost Category

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

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

This page intentionally left blank for formatting purposes.

**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, 2022

(in thousands)

(unaudited)

	Proposition BB	Measure K
Voter Approved Bond Authorization	\$ 2,400,000	\$ 3,350,000
Date of Election	4/8/1997	11/5/2002
Sources of funds		
Bonds issued	\$ 2,400,000	\$ 3,350,000
Adjustments - bond premium and cost of issuance/ underwriter's discount	-	4,370
Interest income	177,844	158,089
Federal income	-	-
Local income	1,967	(6,349)
OFS - Proc fr Cap Leases - FY2021 - 22	-	9
Other financing sources - transfers in	208,523	803,515
Total sources of funds	2,788,334	4,309,634
Uses of funds		
Facilities Services Division Capital Programs	2,764,998	3,964,775
Information Technology Division Capital Progra	-	128,674
Library Services	-	37,949
Transportation (Buses)	-	-
Other costs	7,991	20,688
Other financing uses - transfers out	15,345	-
Total uses of funds	2,788,334	4,152,086
Fund balance, June 30, 2022	\$ -	\$ 157,548

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, 2022

(in thousands)

(unaudited)

(continued)

Measure R	Measure Y	Measure Q	Measure RR	Total District Bond Funds
\$ 3,870,000 3/2/2004	\$ 3,985,000 11/8/2005	\$ 7,000,000 11/4/2008	\$ 7,000,000 11/3/2020	\$ 27,605,000
\$ 3,870,000	\$ 3,985,000	\$ 3,650,955	\$ 300,000	\$ 17,555,955
8,635	5,948	-	-	18,953
154,452	104,004	52,358	1,295	648,042
1,752	-	-	-	1,752
40,796	33,212	(30,289)	(11,502)	27,835
-	-	-	-	9
1,016,072	537,055	760,943	-	3,326,108
5,091,707	4,665,219	4,433,967	289,793	21,578,654
4,258,414	3,930,056	3,344,179	26,346	18,288,768
495,602	184,205	278,711	2,106	1,089,298
51,402	3,934	-	-	93,285
-	24,319	-	-	24,319
35,108	54,038	32,851	441	151,117
156,359	383,489	63,718	-	618,911
4,996,885	4,580,041	3,719,459	28,893	20,265,698
\$ 94,822	\$ 85,178	\$ 714,508	\$ 260,900	\$ 1,312,956

LOS ANGELES UNIFIED SCHOOL DISTRICT

Notes to Supplementary Schedule of Sources and Uses of Funds and Fund Balance

Period from Inception through June 30, 2022

(Unaudited)

(1) Basis of Presentation

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

a) Sources of Funds

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

b) Uses of Funds

The amounts included under uses of funds in the accompanying supplementary schedule of sources and uses of funds and fund balance represent actual expenditures paid and accrued by the District for the period from voter approval through June 30, 2022, adjusted by discounts received from the vendors. The major cost categories in the unaudited supplementary schedule of sources and uses of funds and fund balance represent bond programs funded by the bond.

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

c) Fund Balance

The amounts included as Fund Balance in the accompanying supplementary schedule of sources and uses of funds and fund balance represent the difference between the sources and uses of funds through June 30, 2022.

LOS ANGELES UNIFIED SCHOOL DISTRICT
PROPOSITION BB SCHOOL BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Bond Expenditures
Period from April 8, 1997 (inception) through June 30, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		April 8, 1997 (Inception) through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022	
Facilities Services Division					
Capital Programs					
New Construction	\$ 823,235	\$ 823,214	\$ 21	\$ 823,235	\$ -
School Modernization	1,922,532	1,922,417	115	1,922,532	-
Charter Schools	103	103	-	103	-
Indirects	19,128	15,741	3,387	19,128	-
Total FSD Capital Programs	2,764,998	2,761,475	3,523	2,764,998	-
Other Costs					
Employee Benefits	3,100	3,100	-	3,100	-
Cost of Issuance	1,141	1,141	-	1,141	-
Office of Inspector General	3,750	3,750	-	3,750	-
Total Other Costs	7,991	7,991	-	7,991	-
Other Financing Uses					
COPs Defeasance: Transfers Out to Debt Service Fund	15,345	15,345	-	15,345	-
Total Other Financing Uses	15,345	15,345	-	15,345	-
Total Bond Expenditures and Other Financing Uses	\$ 2,788,334	\$ 2,784,811	\$ 3,523	\$ 2,788,334	\$ -

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE K SCHOOL BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Bond Expenditures
Period from November 5, 2002 (Inception) through June 30, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance	
		November 5, 2002 (Inception) through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022		
Facilities Services Division						
Capital Programs						
New Construction	\$ 2,975,966	\$ 2,878,846	\$ 1,547	\$ 2,880,393	\$ 95,573	
School Modernization	852,931	745,788	48,545	794,333	58,598	
Early Childhood Education	80,000	76,944	218	77,162	2,838	
Charter Schools	53,500	52,952	108	53,060	440	
Indirects	159,827	154,842	4,985	159,827	-	
Total FSD Capital Programs	4,122,224	3,909,372	55,403	3,964,775	157,449	
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	5,927	3	5,930	29	
Total ITD Capital Programs	128,722	128,671	3	128,674	48	
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	\$ 4,309,634	\$ 4,096,680	\$ 55,406	\$ 4,152,086	\$ 157,548	

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE R SCHOOL BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Bond Expenditures
Period from March 2, 2004 (Inception) through June 30, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			
		March 2, 2004 (Inception) through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022	Unexpended Balance
Facilities Services Division Capital Programs					
New Construction	\$ 1,818,855	\$ 1,803,431	\$ 5,282	\$ 1,808,713	\$ 10,142
School Modernization	2,104,823	1,987,857	50,776	2,038,633	66,190
Information Technology					
Network Upgrade	303	302	-	302	1
Adult and Career Education	25,000	24,670	-	24,670	330
Early Childhood Education	94,196	84,118	637	84,755	9,441
Charter Schools	71,885	69,570	2	69,572	2,313
Indirects	231,940	221,385	10,384	231,769	171
Total FSD Capital Programs	4,347,002	4,191,333	67,081	4,258,414	88,588
Information Technology Division Capital Programs					
Classroom Technology Modernization	154,180	152,058	-	152,058	2,122
School Network Modernization	256,809	254,580	48	254,628	2,181
Safety, Communications and Security					
Modernization	11,586	10,151	1,387	11,538	48
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	2,064	13	2,077	1
Total ITD Capital Programs	499,954	494,154	1,448	495,602	4,352
Library Services	53,000	51,402	-	51,402	1,598
Other Costs					
Employee Benefits and Other					
Post-Employment Benefits	11,065	11,065	-	11,065	-
Cost of Issuance	13,886	13,704	182	13,886	-
Office of Bond Compliance	436	157	-	157	279
Office of Inspector General	10,000	10,000	-	10,000	-
Total Other Costs	35,387	34,926	182	35,108	279
Other Financing Uses					
COPs Defeasance: Transfers Out					
to Debt Service Fund	150,000	149,995	-	149,995	5
Reimbursements: Transfers Out					
to Special Reserve Fund	1,752	1,752	-	1,752	-
Information Technology Initiative					
Transfers Out to Special Reserve Fund	4,612	4,612	-	4,612	-
Total Other Financing Uses	156,364	156,359	-	156,359	5
Total Bond Expenditures and Other Financing Uses	\$ 5,091,707	\$ 4,928,174	\$ 68,711	\$ 4,996,885	\$ 94,822

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Y SCHOOL BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Bond Expenditures
Period from November 8, 2005 (Inception) through June 30, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		Inception through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022	
Facilities Services Division Capital Programs					
New Construction	\$ 2,390,646	\$ 2,349,433	\$ 592	\$ 2,350,025	\$ 40,621
School Modernization	1,209,333	1,162,040	21,772	1,183,812	25,521
Information Technology					
Network Upgrade	165,294	164,029	-	164,029	1,265
Adult and Career Education	70,486	68,081	(42)	68,039	2,447
Early Childhood Education	34,513	34,260	220	34,480	33
Charter Schools	50,000	48,167	-	48,167	1,833
Indirects	81,689	59,189	22,315	81,504	185
Total FSD Capital Programs	<u>4,001,961</u>	<u>3,885,199</u>	<u>44,857</u>	<u>3,930,056</u>	<u>71,905</u>
Information Technology Division Capital Programs					
Virtual Learning Complex Planning	2,030	1,879	-	1,879	151
Classroom Technology Modernization	20,558	20,489	-	20,489	69
School Network Modernization	133,192	128,405	2	128,407	4,785
Safety, Communications and Security Modernization	30,317	27,412	-	27,412	2,905
Enterprise Software Systems	8,962	4,962	1,056	6,018	2,944
Total ITD Capital Programs	<u>195,059</u>	<u>183,147</u>	<u>1,058</u>	<u>184,205</u>	<u>10,854</u>
Transportation	25,000	23,673	646	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	9,498	103	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	<u>54,710</u>	<u>53,935</u>	<u>103</u>	<u>54,038</u>	<u>672</u>
Other Financing Uses					
COPs Defeasance: Transfers Out					
to Debt Service Fund	193,738	193,738	-	193,738	-
COPS Defeasance Cafeteria: Transfers Out					
to Special Reserve Fund Capital Outlay	20,554	20,554	-	20,554	-
COPS Defeasance ISIS: Transfers Out to					
Special Reserve Fund Capital Outlay	12,664	12,664	-	12,664	-
CIPR Cafeteria: Transfers Out					
to Cafeteria Fund	5,000	5,000	-	5,000	-
Transportation (Buses): Transfers Out					
to General Fund Restricted	3,461	3,461	-	3,461	-
CIPR Integrated Student Information Systems:					
Transfers Out to General Fund Restricted	26,400	26,400	-	26,400	-
Deferred Maintenance Match: Transfers Out					
to General Fund Restricted	120,000	120,000	-	120,000	-
Transfers Out to General Fund	1,672	1,672	-	1,672	-
Total Other Financing Uses	<u>383,489</u>	<u>383,489</u>	<u>-</u>	<u>383,489</u>	<u>-</u>
Total Bond Expenditures and Other Financing Uses	<u><u>\$ 4,665,219</u></u>	<u><u>\$ 4,533,377</u></u>	<u><u>\$ 46,664</u></u>	<u><u>\$ 4,580,041</u></u>	<u><u>\$ 85,178</u></u>

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
MEASURE Q SCHOOL BOND CONSTRUCTION PROGRAM

Supplementary Schedule of Bond Expenditures
Period from November 4, 2008 (Inception) to June 30, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 4, 2008 (Inception) through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022	
Facilities Services Division Capital Programs					
New Construction	\$ 295,096	\$ 15,178	\$ -	\$ 15,178	\$ 279,918
School Modernization	2,965,965	2,068,935	625,767	2,694,702	271,263
Adult and Career Education	21,159	20,558	594	21,152	7
Early Childhood Education	23,997	17,932	5,851	23,783	214
Charter Schools	78,729	77,322	1,353	78,675	54
Indirects	511,607	441,264	69,425	510,689	918
Total FSD Capital Programs	3,896,553	2,641,189	702,990	3,344,179	552,374
Information Technology Division Capital Programs					
Classroom Technology Modernization	25,356	15,569	23	15,592	9,764
School Network Modernization	66,090	10,775	5,071	15,846	50,244
Safety, Communications and Security Modernization	98,945	26,657	10,436	37,093	61,852
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	38,825	2,486	41,311	10,124
Enterprise Software Systems	64,004	41,669	1,794	43,463	20,541
Total ITD Capital Programs	432,101	258,901	19,810	278,711	153,390
Other Costs					
Cost of Issuance	2,604	2,604	-	2,604	-
Office of Chief Financial Officer	12,740	3,996	-	3,996	8,744
Office of Bond Compliance	2,137	1,053	1,084	2,137	-
Office of Inspector General	24,114	19,215	4,899	24,114	-
Total Other Costs	41,595	26,868	5,983	32,851	8,744
Other Financing Uses					
School Upgrade Program Transfers					
Out to Cafeteria Fund - Upgrade					
Food Services Kitchen Equipment	483	483	-	483	-
Transfers Out to General Fund					
- Transportation	33,235	33,235	-	33,235	-
Transfers Out to General Fund - Routine					
Restricted General Maintenance	30,000	30,000	-	30,000	-
Total Other Financing Uses	63,718	63,718	-	63,718	-
Total Bond Expenditures and Other Financing Uses	\$ 4,433,967	\$ 2,990,676	\$ 728,783	\$ 3,719,459	\$ 714,508

See accompanying independent auditor's report and 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, 2022
(in thousands)
(unaudited)

Cost Category	Adjusted Budget	Actual Expenditures Incurred			Unexpended Balance
		November 3, 2020 (Inception) through June 30, 2021	Expenditures Year Ended June 30, 2022	Total Expenditures through June 30, 2022	
Facilities Services Division Capital Programs					
New Construction	\$ 112	-	\$ 112	\$ 112	\$ -
School Modernization	254,442	-	24,345	24,345	230,097
Early Childhood Education	2,601	-	34	34	2,567
Indirects	1,855	-	1,855	1,855	-
Total FSD Capital Programs	259,010	-	26,346	26,346	232,664
Information Technology Division Capital Programs					
Safety, Communications and Security Modernization	30,342	-	2,106	2,106	28,236
Total ITD Capital Programs	30,342	-	2,106	2,106	28,236
Other Costs					
Cost of Issuance	441	-	441	441	-
Total Other Costs	441	-	441	441	-
Other Financing Uses					
Total Other Financing Uses	-	-	-	-	-
Total Bond Expenditures and Other Financing Uses	\$ 289,793	\$ -	\$ 28,893	\$ 28,893	\$ 260,900

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Notes to Supplementary Schedule of Bond Expenditures
Period from Inception to June 30, 2022
(Unaudited)

(1) Basis of Presentation

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

a) Adjusted Budget

The amounts included within the adjusted budget column in the accompanying supplementary schedule of bond expenditures represent the prior year expenditures from inception through June 30, 2020, and fiscal year 2020-21 budget authority requested from the Board of Education for costs that are expected to be expended and/or obligated to complete the various projects.

b) Actual Expenditures Incurred

The amounts included within the actual expenditures incurred columns in the accompanying supplementary schedule of bond expenditures represent actual expenditures paid and accrued by the District for the period from inception through June 30, 2022, adjusted by discounts received from the vendors. The actual expenditure amounts included expenditures of bond proceeds, reimbursements of bond proceeds, and interest earned on the bond proceeds and reimbursements.

c) Unexpended Balance

The amounts included within the fund balance column in the accompanying supplementary schedule of bond expenditures represent the difference between the adjusted budget column and the total expenditures through June 30, 2022 column.

d) Cost Category

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

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

LOS ANGELES UNIFIED SCHOOL DISTRICT
Notes to Supplementary Schedule of Bond Expenditures
Period from Inception to June 30, 2022
(Unaudited)

(2) Other Financing Uses

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

INDEPENDENT AUDITOR'S REPORT



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Los Angeles Unified School District's (the District), **District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the issued our report thereon dated March 9, 2023.

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 & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
March 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
DISTRICT BOND FUNDS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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, 2022**

No matters were reported.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

March 9, 2023

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

Members of the Board, Committee, and Management:

In planning and performing our audit of the financial statements of the Los Angeles Unified School District's (the District), **District Bond Funds (Proposition BB, Measure K, Measure R, Measure Y, Measure Q, and Measure RR General Obligation Bonds)** as of and for the year ended June 30, 2022, 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.

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 36. 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 9, 2023***

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

Partially implemented. The District intends on adjusting its Audited Annual Financial Report (AAFR) for the identified adjustment in Fiscal Year 2023.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
JUNE 30, 2022**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
June 30, 2022**

Table of Contents

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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2022.

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 objective. We believe that the evidence obtained provides a reasonable basis for our 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 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2022**

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, 2022**

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, 2022**

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, 2022, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure K funds for the year ended June 30, 2022, 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, 2021, to June 30, 2022. The population of expenditures tested includes object codes and specific projects associated with Measure K.

A total of \$55.4 million in expenditures were identified for fiscal year ended June 30, 2022, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 551
Services and other operating expenditures	3,217
Capital outlay	50,812
Debt service principal	3
<i>Total non-payroll expenditures</i>	<u>54,583</u>
Payroll Expenditures:	
Classified salaries	126
Employee benefits	114
<i>Total payroll expenditures</i>	<u>240</u>
Other Financing Uses:	
Transfers out	583
<i>Total other financing uses</i>	<u>583</u>
Total Measure K Expenditures per AAFR - District Bonds Fund	<u>\$ 55,406</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 2022, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure K, Fund 213, as of June 30, 2022.

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 43 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$14.2 million or 26% of the total population of non-payroll expenditures.

We obtained the original invoices and other relevant supporting documentation for expenditures sampled to determine compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

c. Procedures Performed

We selected a total of 12 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$78K of the total population of payroll expenditures. We performed the following procedures:

- i. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure K's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure K was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.
- iii. Verified that the District maintained adequate time and effort reporting controls and procedures for regular review of appropriate charges to Measure K by testing the following:
 - Sampled employees maintained a multi-funded timesheet, or
 - Sampled employees' Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 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, 2022**

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 Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

For employees who submitted a Certification with a “% of Regular Time Spent on Bond-Eligible Projects/Activities” under 100% or whose time was not tracked on a project basis, the results of our tests indicated that payroll expenditures were based on the time associated with actual activities performed on Measure K, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified that payroll expenditures charged to Measure K were based on actual time spent on Measure K related activities.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers contracts/agreements procured during the period of July 1, 2021, to June 30, 2022, in which the original funding strategy source assigned was Measure K.

Procedures Performed

We selected 2 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
OBJECTIVE, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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

Procedures Performed *(continued)*

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

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

Conclusion

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE K
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.

LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
JUNE 30, 2022



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
June 30, 2022**

Table of Contents

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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2022.

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 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 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2022**

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, 2022**

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, 2022**

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, 2022, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Agreements

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure R funds for the year ended June 30, 2022, 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, 2021, to June 30, 2022. The population of expenditures tested includes object codes and specific projects associated with Measure R.

A total of \$68.7 million in expenditures were identified for fiscal year ended June 30, 2022, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ -
Services and other operating expenditures	1,121
Capital outlay	<u>3,410</u>
<i>Total non-payroll expenditures</i>	<u>4,531</u>
Payroll Expenditures:	
Classified salaries	394
Employee benefits	<u>182</u>
<i>Total payroll expenditures</i>	<u>576</u>
Other Financing Uses:	
Transfers out	<u>63,604</u>
<i>Total other financing uses</i>	<u>63,604</u>
Total Measure R Expenditures per AAFR - District Bonds Fund	<u>\$ 68,711</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 2022, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure R, Fund 210, as of June 30, 2022.

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 23 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$1.4 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 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

c. Procedures Performed

We selected a total of 12 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$33K of the total population of payroll expenditures. We performed the following procedures:

- i. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure R's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure R was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.
- iii. Verified that the District maintained adequate time and effort reporting controls and procedures for regular review of appropriate charges to Measure R by testing the following:
 - Sampled employees maintained a multi-funded timesheet, or
 - Sampled employees' Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 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, 2022**

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 Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

Additionally, for employees whose submitted Certification with a “% of Regular Time Spent on Bond-Eligible Projects/Activities” under 100% or whose time was not tracked on a project basis, the results of our tests indicated that payroll expenditures were based on the time associated with actual activities performed on Measure R, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified that payroll expenditures charged to Measure R were based on actual time spent on Measure R related activities.

d. Procedures Performed

We selected a total of 9 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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 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, 2022**

2. PROCUREMENT OF AGREEMENTS

Objective

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

Scope

The scope covers Contracts/Agreements procured during the period of July 1, 2021, to June 30, 2022, in which the original funding strategy source assigned was Measure R.

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.

Conclusion

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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE R
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
JUNE 30, 2022**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
June 30, 2022**

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure Y General Obligation Bonds.....	3
Objectives, Scope, Methodology, and Conclusions.....	4
Schedule of Findings and Responses.....	13
Schedule of Prior Year Findings and Responses.....	14



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2022.

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 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2022**

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, 2022**

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 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, 2022**

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, 2022, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

The scope, methodology, and conclusions of the above 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Y funds for the year ended June 30, 2022, 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, 2021, to June 30, 2022. The population of expenditures tested includes object codes and specific projects associated with Measure Y.

A total of \$46.7 million in expenditures were identified for fiscal year ended June 30, 2022, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 114
Services and other operating expenditures	2,656
Capital outlay	<u>3,530</u>
<i>Total non-payroll expenditures</i>	<u>6,300</u>
Payroll Expenditures:	
Classified salaries	11,172
Employee benefits	<u>405</u>
<i>Total payroll expenditures</i>	<u>11,577</u>
Other Financing Uses:	
Transfers out	<u>28,787</u>
<i>Total other financing uses</i>	<u>28,787</u>
Total Measure Y Expenditures per AAFR - District Bonds Fund	<u>\$ 46,664</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 2022, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Y, Fund 214, as of June 30, 2022.

Conclusion

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

b. Procedures Performed

We selected a total of 6 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$273,418 of the total population of non-payroll expenditures.

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

c. Procedures Performed

We selected a total of 17 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$490K of the total population of payroll expenditures. We performed the following procedures:

- i. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure Y's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure Y was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.
- iii. Verified that the District maintained adequate time and effort reporting controls and procedures for regular review of appropriate charges to Measure Y by testing the following:
 - Sampled employees maintained a multi-funded timesheet, or
 - Sampled employees' Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 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, 2022**

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 Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

For employees who submitted a Certification with a “% of Regular Time Spent on Bond-Eligible Projects/Activities” under 100% or whose time was not tracked on a project basis, the results of our tests indicated that payroll expenditures were based on 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 3 Transfers Out (sampled transfers) and performed the following procedures:

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

2. PROCUREMENT OF CONSTRUCTION CONTRACTS

Objective

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

Scope

The scope covers Contracts/Agreements procured during the period of July 1, 2021, to June 30, 2022, in which the original funding strategy source assigned was Measure Y.

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 Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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

Procedures Performed *(continued)*

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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

Procedures Performed *(continued)*

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

Conclusion

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Y
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

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, 2022**

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

Partially implemented. The District intends on addressing the recommendation in FY 2023 when it prepares the Survey of Compensation.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
JUNE 30, 2022**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
June 30, 2022**

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure Q General Obligation Bonds.....	3
Objectives, Scope, Methodology, and Conclusions.....	4
Schedule of Findings and Responses.....	14
Schedule of Prior Year Findings and Responses.....	18



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2022.

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 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2022**

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, 2022**

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

The District tracks the financial activities related to Measure Q in the District Bonds Fund. The District Bonds Fund 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, 2022**

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, 2022, 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 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure Q funds for the year ended June 30, 2022, 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, 2021, to June 30, 2022. The population of expenditures tested includes object codes and specific projects associated with Measure Q.

A total of \$728.8 million in expenditures were identified for fiscal year ended June 30, 2022, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ -
Services and other operating expenditures	19,303
Capital outlay	<u>657,316</u>
<i>Total non-payroll expenditures</i>	<u>676,619</u>
Payroll Expenditures:	
Classified salaries	26,041
Employee benefits	<u>23,807</u>
<i>Total payroll expenditures</i>	<u>49,848</u>
Other Financing Uses:	
Transfers out	<u>2,316</u>
<i>Total other financing uses</i>	<u>2,316</u>
Total Measure Q Expenditures per AAFR - District Bonds Fund	<u>\$ 728,783</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 2022, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2022.

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 273 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$224 million or 33% 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

c. Procedures Performed

We selected a total of 59 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$6.0 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 Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, for the entire fiscal year.
- 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, 2022**

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-2022-001** in the Schedule of Findings and Responses for further details.

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

We identified four instances of non-compliance with Procedure (c)(iv). Refer to finding **MQ-2022-001** in the Schedule of Findings and Responses for further details.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

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 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, 2022**

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers Construction Contracts procured during the period of July 1, 2021, to June 30, 2022, in which the original funding strategy source assigned was Measure Q.

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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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

Procedures Performed *(continued)*

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

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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 Q
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 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
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

MQ-2022-001 – Payroll Expenditure Charges

Criteria

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

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

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

Additionally, employees whose position is 100% bond will default to a Bond Labor Overhead account. In the event these employees perform non-bond related activities, a separate non-bond account is required to be established for the employee to charge such non-bond work.

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

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

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 interview, it was determined that one employee performed non-bond related services during the fiscal year but erroneously charged those hours to a Bond Labor Overhead account. Based on metrics of actual expenditures incurred during the year over projects managed by the employees' department, it was determined that 35% of the employees' time was spent working on non-bond related activities. These hours were erroneously charged to Measure Q. Further, the District identified a total of ten (10) additional employees within the same department whose non-bond related hours, representing 35% during the fiscal year, were also erroneously charged to Measure Q. The District conducted an analysis by taking the total salary earned by these employees and multiplying it by 35% to determine the total payroll charges related to non-bond work which should be adjusted out of Measure Q, which amounts to \$206,452.

Employees who are only assigned to charge hours to a Bond Labor Overhead account would be unable to properly report their hours between bond and non-bond related activities. This will lead to ineligible expenditures being charged against Measure Q.

- b. Based on our interview, it was determined that one employee performed non-bond related services during the fiscal year but erroneously charged those hours to a Bond Labor Overhead account. Based on the employees' review of their records of activities conducted during the fiscal year, it was determined that 16.5 hours were spent on non-bond activities which should be adjusted out of Measure Q, amounting to \$1,746.

Employees who are only assigned to charge hours to a Bond Labor Overhead account would be unable to properly report their hours between bond and non-bond related activities. This will lead to ineligible expenditures being charged against Measure Q.

- c. Based on our review of the timesheet documentation for one employee, it was determined that the total hours of bond funded related work charged to Measure Q was higher than the hours tracked and reported by the employee. The District conducted an analysis determining that the employees' non-productive time (holiday, vacation, miscellaneous time) was erroneously allocated to a Bond Labor Overhead account, which should be adjusted out of Measure Q, amounting to \$26,455.

Departments that are not properly tracking the manner in which non-productive time is tracked and accounted for will lead to charging ineligible expenditures against Measure Q.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

Condition, Cause & Effect *(continued)*

- d. Based on our interview, it was determined that one employee performed non-bond related services during the fiscal year but erroneously charged those hours to a Bond Labor Overhead account. Based on metrics of actual expenditures incurred during the year over projects managed by the employees' department, it was determined that 16% of the employee's time was spent working on non-bond related activities. These hours were erroneously charged to Measure Q. The District conducted an analysis by taking the total salary earned by the employee and multiplying it by 16% to determine the total payroll charges related to non-bond work which should be adjusted out of Measure Q, which amounts to \$41,476.

Employees who are only assigned to charge hours to a Bond Labor Overhead account would be unable to properly report their hours between bond and non-bond related activities. This will lead to ineligible expenditures being charged against Measure Q.

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

- e. Three employees submitted a Semi-Annual Certification which certified their percentage of regular time spent on Bond-Eligible Projects/Activities as under 100%. We reviewed the department's documentation supporting the relevant metrics used in distinguishing bond-funded versus non-bond-funded activities. Based on our review, we noted the analysis was based on budgeted assumptions, and not based on a relevant metric for determining the employees' time spent on Measure Q related activities.

Departments who utilize the Semi-Annual Certification on behalf of employees who are not working 100% of their time on bond funded activities must 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.

- f. Based on our review of the timesheet documentation for one employee, it was determined that the employees payroll charges to Measure Q was 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. During our audit, 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE Q
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2022**

MQ-2021-001 – Semi-Annual Certification Form of Bond-Funded Work

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

Current Status

Implemented.

MQ-2021-002 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

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, 2022**

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

Partially implemented. The District intends on addressing the recommendation in FY 2023 when it prepares the Survey of Compensation.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
JUNE 30, 2022**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
June 30, 2022**

Table of Contents

	Page
Independent Auditor’s Report.....	1
Legislative History.....	2
Measure RR General Obligation Bonds.....	3
Objectives, Scope, Methodology, and Conclusions.....	5
Schedule of Findings and Responses.....	12
Schedule of Prior Year Findings and Responses.....	13



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

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, 2022.

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 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 9, 2023

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
LEGISLATIVE HISTORY
June 30, 2022**

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, 2022**

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 21st 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, 2022**

- 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. \$0.300 billion has since been issued as of November 2021. 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, 2022**

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, 2022, only for the purpose approved by the voters and only on the specific projects enumerated in the Resolution and included in the Board approved SEPs and amendments, in accordance with the requirements of Proposition 39, as specified by Article XIII A, Section 1(b)(3)(C) of the California Constitution.

2. Procurement of Contracts/Agreements

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

The scope, methodology, and conclusions of the above objectives are enumerated on pages 6 through 11 of this report.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

Determine that the District expended Measure RR funds for the year ended June 30, 2022, 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, 2021, to June 30, 2022. The population of expenditures tested includes object codes and specific projects associated with Measure RR.

A total of \$28.9 million in expenditures were identified for fiscal year ended June 30, 2022, which consists of the following (thousands):

Non-Payroll Expenditures:	
Books and supplies	\$ 3
Services and other operating expenditures	733
Capital outlay	<u>24,851</u>
<i>Total non-payroll expenditures</i>	<u>25,587</u>
Payroll Expenditures:	
Classified salaries	49
Employee benefits	<u>71</u>
<i>Total payroll expenditures</i>	<u>120</u>
Other Financing Uses:	
Transfers out	<u>3,186</u>
<i>Total other financing uses</i>	<u>3,186</u>
Total Measure RR Expenditures per AAFR - District Bonds Fund	<u>\$ 28,893</u>

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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, 2022, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure RR, Fund 216, as of June 30, 2022.

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 14 individual invoices (sampled project expenditures) representing non-payroll expenditures amounting to \$7.0 million or 27% 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, 2022**

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

c. Procedures Performed

We selected a total of 15 employees' payroll expenditures (sampled employees) for the entire fiscal year amounting to \$168K 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 Financial Officer's (CFO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, for the entire fiscal year.
- 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, 2022**

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 Facilities Services Division (FSD) issued its most recent Board approved SEP in 2021, which was used for testing. Expenditures pertaining to projects not listed in the 2021 SEP were tested in accordance with the Board approved SEP amendment.

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

For employees who submitted a Certification with a “% of Regular Time Spent on Bond-Eligible Projects/Activities” under 100% or whose time was not tracked on a project basis, the results of our tests indicated that payroll expenditures were based on the time associated with actual activities performed on Measure RR, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation which verified 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, 2022**

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers Construction Contracts procured during the period of July 1, 2021, to June 30, 2022, in which the original funding strategy source assigned was Measure RR.

Procedures Performed

We selected 3 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.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
June 30, 2022**

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 and selected Goods and Supplies Contracts in accordance with the District's Procurement Manual.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
PERFORMANCE AUDIT
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2022**

No matters were reported.