

**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**

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRANARD C. SIMPSON, CPA
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Independent Auditor’s Report

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

We have conducted a performance audit of the Los Angeles Unified School District’s (the District), **Measure Q School Bond Construction Program** for the year ended June 30, 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
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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
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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
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PERFORMANCE AUDIT
OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
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OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

Determine that the District expended Measure Q funds for the year ended June 30, 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.

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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
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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	657,316
<i>Total non-payroll expenditures</i>	676,619
Payroll Expenditures:	
Classified salaries	26,041
Employee benefits	23,807
<i>Total payroll expenditures</i>	49,848
Other Financing Uses:	
Transfers out	2,316
<i>Total other financing uses</i>	2,316
Total Measure Q Expenditures per AAFR - District Bonds Fund	\$ 728,783

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 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.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

We identified four instances of non-compliance with Procedure (c)(i) and (c)(ii). Refer to finding **MQ-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.

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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.

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2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

The scope covers Construction Contracts procured during the period of July 1, 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.

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

Procedures Performed *(continued)*

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

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

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

Procedures Performed *(continued)*

- iv. We verified that the award of the contract was properly executed.
 - The Contract Administrator (CA) prepared the Recommendation to Award (RTA) and signed off that all bidding requirements were met and that the identified bidder was the lowest responsive and responsible bidder.
 - Facilities Construction Contracts (FCC) forwarded the RTA (Exhibit L) to Facilities Procurement and Payment Services (FPPS) for funding verification and approval. The RTA under a Master Contract did not show the specific amount of the contract but rather the pre-encumbered minimum guaranteed amount. This form showed the range (minimum to maximum) amount of the contract.
 - RTA was signed by the CA, the Director/Deputy Director (Delegated/Authorized signatories), and a copy was given to the OAR and/or Project Manager.
 - Notice of Intent to Award (NOIA) was transmitted to the Contractor with 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.

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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.

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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.

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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.

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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.

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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
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MQ-2021-003 – Survey of Compensation of Managers

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Current Status

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