

**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**

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Independent Auditor's Report

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

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

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

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

The Measure RR initiative authorized the issuance of \$7.0 billion in bonds. \$0.300 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
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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>

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OBJECTIVES, SCOPE, METHODOLOGY, AND CONCLUSIONS
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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 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.

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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.

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1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

The 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.

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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 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.

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

Procedures Performed *(continued)*

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

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

Conclusions

The results of our tests indicated that the District procured the selected Professional Service Agreements in accordance with the District's Desk-Top Procedures for Facilities Contracts and selected Goods and Supplies Contracts in accordance with the District's Procurement Manual.

**LOS ANGELES UNIFIED SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES
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No matters were reported.

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SCHOOL BOND CONSTRUCTION PROGRAM
MEASURE RR
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SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
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No matters were reported.