

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



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

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



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Independent Auditor's Report

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

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

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure Q General Obligation Bonds and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure Q School Bond Construction Program funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Los Angeles, California
March 21, 2024

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

On November 7, 2000, California voters approved Proposition 39, the *Smaller Classes, Safer Schools, and Financial Accountability Act*. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, “for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities”, upon approval by 55% of the electorate. Additional accountability measures, as stipulated in Education Code Section 15278 – 15282, and 15286, are as follows:

1. A requirement that the school district establish and appoint members to an independent citizens’ oversight committee.
2. A requirement that the proceeds from the sale of the bonds be used only for the purposes described in Article XIII A, Section 1(b)(3)(A) of the California Constitution and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement that the school district list the specific school facilities projects to be funded and certification that the school district board has evaluated safety, class size reduction, and information technology needs in developing that list.
4. A requirement that the school district conduct an annual independent performance audit, in accordance with Government Auditing Standards issued by the Comptroller General of the United States, required by Article XIII A, Section 1(b)(3)(C) of the California Constitution, ensuring that the funds have been expended only on the specific projects listed.
5. A requirement that the school district conduct an annual independent financial audit, in accordance with Government Auditing Standards issued by the Comptroller General of the United States, required by Article XIII A, Section 1(b)(3)(D) of the California Constitution, of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

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

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

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

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

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

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

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

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

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

OBJECTIVES OF THE AUDIT

The following represents the objectives of our performance audit:

1. Bond Expenditures and Recordkeeping

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

2. Procurement of Contracts/Agreements

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

3. Survey of Compensation of Managers

Determine that the District was compliant with the Measure Q Resolution requirements regarding the Survey of Compensation of Managers (Survey), as follows:

To ensure that the District employs managers of the Division who are so qualified, and because the required qualifications and responsibilities of the Managers of the Division are unique relative to those of other District classified positions, the Board shall, subject to the merit system provisions of the Education Code, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace and thereby better ensure that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond-funded school construction and modernization program.

The scope, methodology, and conclusions of the above objectives are enumerated on pages 5 through 13 of this report.

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

1. BOND EXPENDITURES AND RECORDKEEPING

Objective

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

Scope

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

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

a. Procedure Performed

We obtained a general ledger report prepared by the District detailing balances for all funds which made up the District Bonds Fund to reconcile the totals to the balances reported as of June 30, 2023, in the AAFR. We extracted from the general ledger report all activities pertaining to Measure Q, Fund 215, as of June 30, 2023.

Conclusion

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

b. Procedures Performed

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

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

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

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

c. Procedures Performed

We selected a total of 75 employees' payroll expenditures (sampled employees) for the entire fiscal year, amounting to \$5.1 million of the total population of payroll expenditures. We performed the following procedures:

- i. Determined that the sampled employees' payroll expenditures were in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and were consistent with the work scope of Measure Q's Resolution as presented to the voters and further defined by various Board approved SEPs and amendments.
- ii. Verified, based on interviews with the sampled employees, the work conducted in connection with the time charged to Measure Q was in compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution, and was not related to teacher or school administrative activities.
- iii. Verified that the District maintained adequate time and effort reporting controls and procedures for regular review of appropriate charges to Measure Q by testing the following:
 - Sampled employees maintained a multi-funded timesheet, or
 - Sampled employee's Semi-Annual Certification Forms of Bond-Funded Work (Certification) were submitted to the Office of Chief Business Officer's (CBO) Bond Compliance Unit in accordance with the District's Bulletin BUL-6521.2 dated December 17, 2021, for the entire fiscal year.
- iv. For employees who submitted a Certification with a "% of Regular Time Spent on Bond-Eligible Projects/Activities" under 100% or whose time was not tracked on a project basis, we determined that payroll expenditures were based on time associated with actual activities performed on Measure Q, and not based on a predetermined budgeted rate/allocation, by reviewing supporting documentation to verify that payroll expenditures charged to Measure Q were based on actual time spent on Measure Q related activities.

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

1. BOND EXPENDITURES AND RECORDKEEPING *(continued)*

Conclusions

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

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

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

d. Procedures Performed

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

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

Conclusions

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

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

2. PROCUREMENT OF CONTRACTS/AGREEMENTS

Objective

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

Scope

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

Procedures Performed

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

- i. We verified that the selected firm was approved by the board before performance was conducted, or that project-specific contract actions delegated by the Board were properly reported.
- ii. We verified a Request for Proposal (RFP), or Request for Qualifications (RFQ) was established.
- iii. If the Pre-Bid Meeting was mandatory the sign in sheet/attendance sheet showed that the firm attended the Pre-Bid Meeting.
- iv. We verified the Evaluation Panel Members signed the Non-Disclosure Form.
- v. We verified that the Scoring and Ranking Forms were completed.
- vi. We verified, for agreements valued at \$500,000 or higher, that a Dunn and Bradstreet report was completed.
- vii. We verified, for agreements valued at \$5,000,000 or higher, that a Due Diligence Background Check was completed.
- viii. We verified that the Recommendation to Award (RTA) was signed by Panel Members and the Director of Facilities Contracts. For design service contracts, we verified a Ratification Memo was issued.
- ix. We verified the firm completed conflict of interest and ethics rules of conduct forms.

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

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

Procedures Performed *(continued)*

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

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

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

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

Procedures Performed *(continued)*

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

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

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

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

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

Conclusions

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

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

3. SURVEY OF COMPENSATION OF MANAGERS

Objective

Determine that the District was compliant with the Measure Q Resolution requirements regarding the Survey of Compensation of Managers (Survey), as follows:

To ensure that the District employs managers of the Division who are so qualified, and because the required qualifications and responsibilities of the Managers of the Division are unique relative to those of other District classified positions, the Board shall, subject to the merit system provisions of the Education Code, no less than biennially, cause a survey of compensation of managers of major construction programs and managers of major public and private facilities in comparable locations across the United States in both the public and private sector, and the Board shall make a finding that the managers of the District's Facilities Services Division are being compensated at a level that will be competitive in the marketplace and thereby better ensure that the District will be able to continue to hire and retain highly qualified and experienced individuals to manage the bond-funded school construction and modernization program.

Scope

The Survey is to be conducted biennially in odd fiscal years.

Procedures Performed

We obtained a copy of the completed Survey and determined whether the Board declared a finding that the managers of the District's FSD are being compensated accordingly.

Conclusion

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

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

MQ-2023-001 – Payroll Expenditure Charges

Criteria

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

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

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

Condition, Cause & Effect

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

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

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

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

Condition, Cause & Effect *(continued)*

- b. Based on our review of payroll documentation for one employee, it was determined that from the period of July 2022 through May 2023, the employees' payroll charges to Measure Q was based on a fixed budgeted percentage of 100%. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities for the time reported during this period.

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

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

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

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

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

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

Condition, Cause & Effect *(continued)*

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

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

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

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

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

- f. Based on our review of payroll documentation for seven employees, it was determined that the employees' payroll charges to Measure Q were based on a fixed budgeted percentage. The department did not maintain supporting documentation verifying that the payroll expenditures charged to Measure Q was based on actual time spent or a system in place to properly establish relevant metrics necessary to distinguish bond-funded versus non-bond funded activities, on Measure Q related activities for the time reported during the fiscal year.

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

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

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

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

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

MQ-2022-001 – Payroll Expenditure Charges

Recommendation

We recommend the following to the District:

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

Views of Responsible Officials and Planned Corrective Actions

The District concurs with the recommendations:

- d. Measure Q's expenditures will be adjusted according to the finding.
- e. 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.
- f. 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.
- g. Policies and Procedures will be established for guidance for departments to develop appropriate expenditure-based metrics to benchmark their bond versus non-bond percentage of work.

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

Current Status

Implemented.

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

MQ-2021-003 – Survey of Compensation of Managers

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Current Status

Implemented.