

**LOS ANGELES UNIFIED SCHOOL DISTRICT
OFFICE OF THE INSPECTOR GENERAL**

**ANNUAL REPORT TO THE
BOARD OF EDUCATION**



FISCAL YEAR 2023

**Sue Stengel
Inspector General**



Los Angeles Unified School District
Office of the Inspector General

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July 31, 2023

To the Honorable Members of the Board of Education:

I am pleased to submit the Office of the Inspector General's (OIG) Annual Report. This report is required by the OIG's Charter and summarizes our activities and accomplishments for the period from July 1, 2022 through June 30, 2023 (FY 2023).

The OIG conducts audits, investigations, and special reviews of the Los Angeles Unified School District's (District) programs and operations to support effective decision-making and to detect and deter fraud, waste, and abuse. Our goal is to enhance the public's confidence in the District by assisting District management with making continuous improvements in programs and operations and by fostering personnel integrity. This report highlights work we performed during FY 2023. Through this work, we identified approximately \$6.5 million in monetary benefits.

The OIG is proud to support the District's goals and vision by identifying opportunities for achieving greater economy, efficiency, and effectiveness. On behalf of all OIG staff, I would like to thank the Board of Education for its continued support.

Sue Stengel

Sue Stengel
Inspector General

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FISCAL YEAR 2023 HIGHLIGHTS

AUDIT ACTIVITIES

During fiscal year (FY) 2023, the Office of the Inspector General (OIG) conducted audits of various programs, processes, and contracts to provide the Los Angeles Unified School District (District or LAUSD) management with information to help improve operations, facilitate decision-making, and promote public accountability. As a result of our audit activities this year, we issued 51 reports and identified \$6.3 million in questioned and unsupported costs.¹

The following section summarizes some of the audit work performed during the year:

School Mental Health (OA 22-1367)

In our audit of school mental health services, we evaluated the effectiveness and sustainability of school-based mental health services offered to students. From our sample of 1,430 students who received school-based mental health services delivered by Psychiatric Social Workers (PSW) from FY 2019 to FY 2021, we found sustained or improved academic achievements (attendance, grade point averages, and graduation rates). However, the current number of PSWs and level of services may not be sustainable because temporary funding is expiring. While funding for PSWs and the number of positions for PSWs have increased year-over-year, our analysis revealed that approximately \$94.6 million (or 53% of the \$178 million 2021-2022 budget) in Elementary and Secondary School Emergency Relief (ESSER) funds for 694 PSWs will expire during school year 2023-2024. In addition, \$2.3 million from the Los Angeles County Department of Mental Health that funded 18 PSWs expired on June 30, 2022.

We also tested a sample of 89 students who received 323 direct school-based mental health services to determine whether mental health services were provided to students in a timely manner. We found that services were rendered, but we could not determine whether all the services were provided promptly for all students.

Physical Security of Schools (OA 20-1371)

Maintaining safe learning environments for students and staff at schools is a priority for the District. In our audit of the physical security of schools, we found that the District needed to make improvements to ensure the physical security of school premises. Examples of issues found in some of the 24 schools visited throughout the District included but were not limited to (i) perimeter gates were unlocked during the school day, (ii) alarm systems and classroom telephones were not functioning properly, and (iii) doors with panic bars were chain locked.

¹ Of the \$6.5 million in monetary benefits, \$6.3 million were identified through the OIG's audit activities.

Operations Services – Custodial (OA 23-1402)

We conducted inspections of school restrooms used by students to evaluate whether they were clean and in good repair. Our audit determined that schools generally complied with the requirements for maintaining student restrooms, as outlined by District policy, with some exceptions:

- All 36 schools (100%) had equipment in good working order in each student restroom.
- All 36 schools (100%) had adequate supplies in each student restroom.
- 34 of 36 schools (84%) had student restrooms in good hygienic condition.

We found the following deviations from District policies: (1) Overnight restroom logs in 11% of schools were not completed; (2) Daily restroom logs in 22% of schools were not completed; (3) Seven instances were noted where restrooms were vandalized with graffiti at six schools, and none of the cases were entered into the District’s Incident System Tracking Accountability Report (ISTAR), as required. We noted that Maintenance and Operations (M&O) had implemented a system of monthly and annual custodial inspections performed by Area Operations Supervisors that allowed for the tracking of restroom maintenance, the production of key metrics available to facilities and schools, and which required corrective action responses by schools that were not compliant with District policy.

Instructional Materials (OA 22-1403)

During FY 2021, \$147.4 million of adopted and approved textbooks, including library books and other instructional materials, were purchased District-wide. We conducted an audit to examine purchases of instructional materials to determine the usage and necessity of the purchases. We determined that overall, the Division of Instruction’s purchases of District-adopted and approved textbooks were necessary to ensure compliance with the Williams legislation² for all classrooms. We noted some areas that needed improvement including the management of textbook inventories and ensuring compliance regarding the removal and transferring of damaged, obsolete, and excess textbooks, library books, and other instructional materials to the warehouse in a timely manner.

Developer Fees (OA 23-1381)

In a sample of 20 cities and unincorporated areas that were entirely or partially within the District’s boundaries, we found developer fees that were not collected on 183 assessable construction projects and 55 assessable construction projects with partial payments, for FY 2021 and 2022. The total potentially uncollected amount relating to developer fees was \$1,705,994 representing approximately 418,136 square feet. We could not identify all construction projects subject to a developer fee for seven of the 20 cities due to a lack of cooperation from the cities/agencies. We also identified 354 new residential construction

² The Williams Legislation established new standards and accountability mechanisms to ensure that all California public school students have sufficient textbooks and instructional materials and that the schools are clean, safe, and functional. It also took steps toward ensuring all students have qualified teachers, <<https://publicadvocates.org/our-work/education/williams-v-california/#:~:text=The%20Williams%20Settlement%20Legislation%20established,all%20students%20have%20qualified%20teachers>>.

projects less than 500 square feet totaling approximately \$571,000 in additional developer fees the District could have collected.

Fuel Rebates and Tax Credits (OA 23-1399)

The OIG conducted an audit of rebates and tax credits for the District's use of Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG). Our audit found that the District did not apply for and receive all fuel tax credits for two of three fueling stations for \$292,322. Neither the Transportation Services Division (TSD) nor M&O's Energy Management Unit monitored the 2021 federal fuel tax credits to which the District was entitled. However, the District applied for and obtained: (i) a \$165,879 federal tax credit in 2021 for the Sun Valley fueling station and (ii) \$202,230 for the 2021 LPG fuel tax credit for all three fueling stations.

Although the District received \$140,875 in rebates for CNG fuel at two of three fueling stations from January 2021 to June 2022, the OIG was unable to verify the amount for accuracy and reasonableness because TSD did not request supporting documentation. Also, the OIG found that the record of previous meter readings was not available for either of the fueling stations, and garage supervisors could not obtain reports on how much CNG fuel was dispensed from each pump. Additionally, access to the CNG was not restricted at any of the fueling stations.

Facilities Services Division's (FSD) Estimating Units (OA 23-1385)

There are two estimating units within the Facilities Services Division: (1) Program Support Services Estimating Unit (PSS EU) which prepares construction cost estimates upon request from various FSD departments, mainly for construction projects in the pre-construction phase, and (2) the Estimating Unit in the Project Execution Branch (PEX EU) which creates and develops estimates during the construction phase, primarily for change order proposals. The OIG verified that PSS EU generated 1,733 estimates over two years, an average of 866.5 estimates per year, indicating that estimating services were requested reasonably, and that PEX EU generated 835 estimates in FY 2022 for change orders, indicating that estimating services were requested reasonably from PEX EU. We noted that the Estimating Units' reporting structures overlapped on organizational charts, and each Estimating Unit's role and responsibilities were not clearly defined in the policy.

Payroll Deductions. (OA 22-1376)

The OIG conducted an audit of payroll deductions. We found that employee payroll deductions related to voluntary employee deductions, payroll taxes, retirement contributions, and garnishments were adequately supported, remitted to third-party agencies in a timely manner, and terminated upon separation from the District. Some areas needed improvement. Reports to CalSTRS were submitted late causing the District to make interest payments, and payroll deduction warrants were outstanding for more than six months.

Ferguson Enterprises, LLC (CA 23-1396)

The OIG audited the contract awarded to Ferguson Enterprises, LLC (Ferguson) to purchase plumbing supplies, tools, and materials for repair and maintenance projects. The audit found that Ferguson did not give the District the contracted discounts on 1,390 invoices, resulting in overbilling of \$115,004. Ferguson also did not pay the 1% volume rebate on a number of invoices, resulting in \$8,453 of unpaid volume rebates and interest. As a result of our audit, Ferguson remitted \$123,457 to the District.

Koury Engineering & Testing, Inc. (CA 23-1375)

The OIG audited the contract awarded to Koury Engineering & Testing, Inc. (Koury) for materials testing and special inspection services. The audit found that Koury used incorrect hourly rates to bill for inspection services, resulting in an overbilling of \$179,344. Koury is currently repaying the District according to an agreed upon payment plan.

Integrity Environmental Consultants. (CA 23-1374)

The District contracted with Integrity Environmental Consultants, Inc. (Integrity) to provide comprehensive asbestos, lead-containing material, mold, and hazardous materials consulting services. During the billing period examined, Integrity billed the District a total of \$1,043,374. The OIG found that Integrity complied with several areas examined in the audit; however, Integrity billed sub-consultants at an incorrect rate, which resulted in overbilling to the District of \$77,169. The OIG also found that Integrity overbilled the District for \$258 related to reimbursable laboratory services. The total amount the District was overbilled was \$77,427. Integrity agreed to reimburse the District by the end of the calendar year.

Tabbara Corporation (CA 23-1400)

Tabbara Corporation (Tabbara) was awarded a contract to provide comprehensive asbestos, lead-containing material, mold, and hazardous materials consulting services to support the District's construction projects. The contract had a not-to-exceed amount of \$1,180,000. The OIG found that Tabbara could not provide supporting documents for 62 hours billed to the District, resulting in a questioned cost of \$5,456. Additionally, the OIG found that Tabbara billed for sub-consultants using staff rates, a rate higher than allowed by the contract. This resulted in an additional overbilling to the District of \$149,413, for a total of \$154,869.

Sinanian Development Inc. (CA 23-1403)

The OIG audited a Change Order issued under a Design-Build Contract with Sinanian Development, Inc. (SDI) for the Sherman Oaks Center for Enriched Studies Comprehensive Modernization Project. Change Order No. T-634 was issued for \$651,311. The OIG found that the Change Order amount was adequately supported, fair, and reasonable in all material respects. However, the bond cost was overstated by \$2,064 because a higher than actual bond rate was used. The OIG confirmed that SDI used the same bond rate for all the Change Orders related to the project, and therefore, the OIG recalculated all the billing and determined that the District had been overbilled a total of \$20,734. The District and SDI agreed with the OIG's findings and a Change Order has been issued to credit the LAUSD.

INVESTIGATIVE ACTIVITIES

In FY 2023, the OIG opened 36 cases and closed 41 involving allegations of improper or illegal activities by District employees, contractors, or other entities doing business with the District. We referred four cases for criminal prosecution and 17 cases for administrative action (discipline). This year, 30 criminal actions and eight personnel actions were taken against employees and \$156,856 in potential loss to the District was identified because of our work.

Investigations

Case No. 31³

The OIG received a complaint that the District was selling 190 new, unused flat file cabinets at a salvage auction, for a fraction of their original cost. The investigation found that 715 flat file cabinets were purchased in 2017 for \$644,659 for the planned construction of an archive vault. District personnel purchased the cabinets before receiving approval for the construction from the Division of the State Architect (DSA); a requirement before construction can commence. After the cabinets were purchased, DSA denied certification of the project because the building in which the vault was to be housed was itself never DSA certified.

The District then amended the vault project. It no longer required DSA approval but accommodated only 470 flat file cabinets, leaving 245 unused. Construction was completed in 2019. The unused file cabinets were stored until 2021, when the District decided to sell the remaining 190 cabinets.⁴ The original price of the cabinets was between \$740 and \$999 per cabinet (based on size). The cabinets could not be returned to the manufacturer, and the surplus value is currently \$20, representing a minimum potential loss to the District of \$156,856.

Case No. 39

An OIG investigation revealed that the subjects, District managers, changed hundreds of grades in the My Integrated Student Information System (MISIS). Additionally, numerous grade changes were made without the documentation required by state law and without the knowledge of the teacher of record. Further, some students received credit for a class they never attended or for a class that did not exist on the school's master schedule. In many instances, one subject made themselves the teacher of record even though they did not possess the proper certification. The same subject also changed their own child's grades.

Two other subjects changed or directed the change of grades for their own children and other relatives in MISIS without the knowledge of the teacher of record. In at least one instance, the grade was changed years after the final grade was recorded.

³ Case numbers refer to closed investigations listed in Table 8 in Appendix 2.

⁴ Fifty-five of the 245 unused file cabinets could not be found. The District presumed they were re-purposed.

Two subjects resigned from LAUSD. A third was demoted and remains an LAUSD employee. A current OIG audit is assessing the risk and vulnerabilities in MISIS.

Case No. 40

The OIG received a complaint that a District employee was submitting suspicious worker's compensation claims and had excessive absences. The OIG's investigation found no apparent fraudulent activity related to the worker's compensation claims. However, the investigation revealed that the employee had numerous days of absence during a five-year period. An analysis of payroll records showed that the employee was absent from work an average of 94 days per year. The most was 164 days in one year. The OIG referred the case to the District's Staff Relations Section for disciplinary action.

Case No. 41

An OIG investigation determined that a high-level District manager had a romantic relationship with a subordinate and approved a promotion for that person, in violation of the District's prohibition on nepotism and fair hiring and promotion practices. Additionally, both subjects hired family members into the Division.

The OIG investigation also discovered that the District manager violated District policy when they used a District-owned vehicle to travel to and from work while receiving the monthly automobile allowance.⁵

Further, the subjects attempted to deceive OIG and District investigators during their investigative interviews. Both subjects voluntarily separated from the District before discipline was imposed. As a result of the OIG's investigation, the Division is making improvements to ensure District policies are followed.

Due Diligence and Background Investigations

Due diligence services are conducted before the District enters into contracts and agreements to assess whether contractors, vendors, consultants, or charter school petitioners are free from such issues as criminal history, bankruptcies, or other matters that may impact the District's decision to enter into contracts or agreements with the entity or its principals.

The OIG also conducts background investigations on all newly hired District senior management officials before they enter into employment contracts with the District.

This year, we issued 31 due diligence reports and 23 background investigations related to charter school petitioners, prospective senior managers, and facilities contract and procurement matters. We also used part of the District's ESSER funds that were allocated for

⁵ Some high-level District managers have the option of driving a District-provided car or receiving a monthly vehicle allowance as part of their contractual compensation package.

oversight to complete three proactive due diligence investigations of vendors and contractors related to COVID-19 activities and expenditures.

OTHER OIG ACTIVITIES

Technical Evaluations

The OIG has a Technical Evaluation team that conducts evaluations to ascertain whether contracted construction work was completed in accordance with contract documents, including DSA-approved drawings, specifications, and directives. The team also makes recommendations based on construction and architectural best practices to help strengthen the District's project management. During FY 2023, the OIG completed seven technical evaluations, which are listed under Appendix 2. The following are summaries of some of the technical evaluation work completed this year.

School Improvement Program (22-208-TE)

The School Improvement Program (SIP) provides a variety of minor repairs, safety improvements, and maintenance at our aging schools. We conducted a technical evaluation of four SIP projects. Our evaluation found defects, delays, and quality control deficiencies with the projects at Angeles Mesa Elementary School and Cheremoya Elementary School.

We concluded that overall, the projects reviewed improved the condition of schools and enhanced the learning environment for students and staff. The District agreed with our findings and recommendations, and we confirmed that the deficiencies were corrected at the schools.

Colfax Charter Elementary School Classroom Addition Project (22-352-TE)

The major scope of work for the Colfax Charter Elementary School Classroom Addition Project by S.J. Amoroso Construction Co., Inc. (SJA) was to provide a new building for 18 classrooms. The new building added eight new classrooms and replaced 10 classrooms from five portable buildings that were removed from the campus. The original contract amount was \$23.6 million.

Our evaluation identified several issues including that the HVAC systems did not work properly,⁶ deficiencies involving both contractor and LAUSD personnel, and that several issues remained unresolved after Substantial Completion⁷ of the project.

⁶ Colfax Charter Elementary School is in the San Fernando Valley.

⁷ Substantial Completion is the stage in the progress of the work when all requirements of the contract are completed except Punch List items, warranties and guaranties, and record documents submittals.



Colfax Charter ES Classroom Addition Project – Main Entrance Area Gate

Plasencia Elementary School Seismic Retrofit and Interim Housing Project (23-037-TE)

The purpose of the Plasencia Elementary School Seismic Retrofit and Interim Housing Project by AP Construction Group, Inc. (AP) was to provide seismic retrofit for the main building and four portable buildings. The original contract amount was \$6.4 million.

Our evaluation identified issues that caused project delays, deficiencies in the quality of work, and project management problems. As a result of our evaluation, the contractor reimbursed the District \$3,811.



*Concrete Underpinning Reinforcement for the Foundation of the Main Building
Source: AP Construction*

MONETARY BENEFITS

The OIG is committed to identifying and reducing fraud, waste, and abuse and to identifying opportunities for achieving greater economy, efficiency, and effectiveness that may result in the saving or recovery of funds that can be used toward student-centered goals. The OIG classifies monetary benefits into the following major categories: restitution, settlements, funds put to better use, and questioned costs.

- *Restitution* is the voluntary or court-ordered repayment of funds obtained through unlawful means.⁸
- *Settlements* are formal legal agreements resolving damage claims with repayment.⁹
- *Funds put to better use* incorporate recommendations that may result in more efficient use of District funds.
- *Questioned costs* are costs that are disallowed or unsupported and are primarily incurred on contracts, grants, and other forms of cooperative agreements.

OIG investigative activities may also result in monetary benefits such as fines, recoveries and forfeiture that can include non-District funds that were identified as a result of our investigative efforts. The OIG helps recover any restitution or forfeiture owed to the District.

Quantifying the monetary value of OIG services for any one year often means assigning value for efforts that often span several years. During FY 2023, the OIG identified \$6.5 million in monetary benefits through its audits, investigations, and technical evaluations.



⁸ There were no restitution orders related to OIG activities this fiscal year.

⁹ There were no settlements related to OIG activities this fiscal year.

TABLE 1

AUDITS				
Report No.	Report Title	Funds Put to Better Use	Questioned Costs	Unsupported Costs
CA 22-1353	AAA Solar Electric, Inc. dba AAA Network Solutions, Inc.		\$87,497	
CA 22-1357	AGM Container Controls, Inc.		\$14,855	
CA 22-1355	Clark Seif Clark, Inc.		\$11,062	\$1,400
CA 23-1377	Dave Bang Associates, Inc.		\$3,045	
OA 23-1381	Developer Fees	\$2,461,943		
CA 23-1378	Enterprise Construction, Inc.		\$9,306	
CA 23-1396	Ferguson Enterprises LLC		\$123,457	
OA 23-1399	Fuel Rebates and Tax Credits	\$433,197		
CA 23-1389	Group Delta Consultants, Inc.		\$4,900	
CA 23-1374	Integrity Environmental Consultants		\$77,427	
CA 23-1375	Koury Engineering & Testing Inc.		\$179,344	
CA 22-1370	Par Engineering, Inc.		\$7,209	
CA 22-1369	Sales Tax Recovery - Phase II		\$2,740,153	
CA 23-1403	Sinanian Development			\$20,734
CA 23-1400	Tabbara Corporation		\$149,413	\$5,456
CA 23-1379	The Sheridan Group		\$4,990	
CA 22-1359	Virco, Inc.		\$28,211	
CA 23-1373	Wood Environment & Infrastructure Solutions, Inc.		\$9,638	
	SUBTOTAL			\$6,373,236

INVESTIGATIONS				
Case No.	Case Title			
31	New, unused flat files were slated to be sold at a significant loss to the District	\$156,856		
	SUBTOTAL			\$156,856

TECHNICAL EVALUATIONS				
Report No.	Report Title			
22-128-TE	Portable Replacement Project at Calabash Charter Academy - Davis Reed Construction, Inc.	\$10,728		
23-037-TE	Seismic Retrofit and Interim Housing Project at Plasencia Elementary School - AP Construction Group, Inc. dba Air Plus	\$3,811		
	SUBTOTAL			\$14,539

TOTAL OIG MONETARY BENEFITS				\$6,544,632
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AUDIT ACTIVITIES

FY 2023 Summary of Audit Activities

The OIG issued 51 reports and identified \$6.3 million in questioned and unsupported costs. TABLE 2 is a summary of the audit activities for the period ending June 30, 2023:

TABLE 2

Type of Activity	Completed
Incurring Cost Audits	24
Change Order Audits	8
Performance Audits	14
Special Reviews	5
TOTAL	51

Audit Unit

The Deputy Inspector General, Audits (DIGA) manages the staff and the work of the Audit Unit and serves as the principal advisor to the Inspector General on audit matters.

One of the primary functions of the Audit Unit is auditing the District's procurement system including procurement contracts for goods and services as well as contracts for the largely bond funded construction and modernization program. The Audit Unit is responsible for conducting pre-award and post-award audits of contracts and supports District procurement officials by providing rate surveys, claims, and litigation support.

The Audit Unit conducts audits of contracts to ensure that District vendors and contractors comply with the requirements of their contracts and that contracted funds, including bond funds, are expended as intended and that the District received what it paid for. These audit activities also help to ensure that all District programs and units using or managing bond funds have adequate internal controls in place.

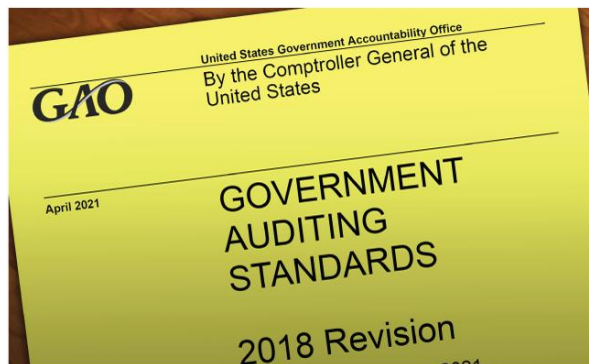
The Audit Unit also conducts performance audits of various District programs, processes, and functions for efficiency and effectiveness to ensure that adequate internal controls are in place and verify that the reviewed areas are in compliance with laws, regulations, and District policies and procedures.



Auditing Standards/Peer Review

The Audit Unit does its work primarily in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The Audit Unit also uses the Statement on Standards for Attestation Engagements and the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants and the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In FY 2023, the Association of Inspectors General (AIG) completed a peer review of the Audit Unit and found that the internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements. The next OIG peer review is scheduled for Fall 2025.



Source: GAO file photo.

Quality Control and Assurance Program

Internal Quality Control and Assurance Specialists (QC&A Specialist) conduct independent reviews to ensure that audits and investigations are performed in compliance with professional and departmental standards.

During FY 2023, independent reviews of two audits were completed. Overall, the reviews found that audits complied with applicable Government Auditing Standards and internal policies and procedures. The recommendations from these reviews will help strengthen OIG compliance in future audit activities. The QC&A Specialist also served as the OIG's main point of contact with the AIG external peer review team and coordinated all aspects of this year's peer review.

Annual Risk Assessment Process

The OIG redesigned its comprehensive risk assessment process in Spring 2020 and it serves as the foundation for the Annual Work Plan. This systematic process involves the definition, identification, and categorization of risks applicable to the District. It also includes the organization of District operations into auditable areas, developing risk factors, and assessing the likelihood and impact of those risk factors relative to each auditable area. The OIG also surveys key LAUSD stakeholders, including District management, the Bond Oversight Committee, and the public at large, to consider risks and opportunities from multiple perspectives. These surveys inform our risk assessment and provide an opportunity to engage our employees, students, and families in this important process.

Annual Work Plan

The Audit Unit performs its work primarily in accordance with Government Auditing Standards that mandate that audit units operate pursuant to an annual work plan that identifies the specific areas of focus for an upcoming fiscal year. The annual work plan is a “working” document that is modified throughout the year as circumstances, priorities, and resource availability dictate. Our work plan is approved by the Board of Education and published on our website.

The work plan provides a description of the Audit and Investigative activities we plan to undertake during the fiscal year. In developing the annual work plan, we factored in the results of our risk assessment surveys to help us deliver products that are relevant and deemed valuable by our stakeholders.

Audit Process

The following graphic provides a general overview of the OIG’s audit process. Audits are assigned primarily from the Annual Work Plan or in response to special requests from District management.



External Assistance

Government Auditing Standards require that the staff assigned to conduct audits should collectively possess adequate professional proficiency for the tasks required. If the staff lacks that proficiency or capacity, the standards provide that an organization may employ personnel or hire outside consultants knowledgeable in such areas as law, engineering, information technology, etc.

The OIG maintains a “bench” of auditing firms with additional expertise, or that augment our capacity to conduct audits. During FY 2023, the OIG retained the bench firms BCA Watson Rice, LLP; Baker Tilly; and Crowe LLP to provide auditing services. We also contracted with Downey, Smith & Fier to perform sales tax recovery services.

INVESTIGATIVE ACTIVITIES

FY 2023 Summary of Investigative Activities

Tables 3 and 4 summarize the accomplishments from our FY 2023 investigative work:

TABLE 3

FY 2023 Key Performance Indicators	
Cases Opened	36
Cases Closed	41
Cases Referred for Criminal Prosecution	4
Criminal Actions Taken ¹⁰	30
Cases Referred for Administrative Action	17
Personnel Actions Taken ¹¹	8
Restitution, Forfeiture, Awards	0
District Loss or Waste Identified	\$156,856

TABLE 4

Type of Activity	Completed
Charter School Due Diligence	4
Contractor/Vendor Due Diligence	30
Background Investigations	23
Reports Completed	57
Subpoenas Issued	3

The Investigations Unit investigates allegations of improper or illegal activities by District employees, contractors or other entities doing business with the District. The focus is financial in nature. The Investigations Unit also performs a variety of other services that are described in this section. Most of the investigative workload results from the receipt of allegations of improper activity. The Investigations Unit also receives referrals from the Audit Unit and District management. The remaining workload consists of proactive projects designed to prevent fraud, waste, and abuse.

The Deputy Inspector General, Investigations (DIGI) manages the staff and the work of the Investigations Unit and serves as the principal advisor to the Inspector General on investigative matters.

¹⁰ Criminal actions include arrests, charges, convictions, pleas/agreements/negotiations, sentencing, and search warrants.

¹¹ Personnel actions include suspensions, reassignments, notices of unsatisfactory service, and separations.

The Inspector General is authorized by statute to subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information that reasonably relates to an inquiry or investigation undertaken by the OIG. During FY 2023, the OIG issued three subpoenas for business or financial records relevant to ongoing investigations.

At the end of the fiscal year, 55 investigative matters remain in progress. Allegations include violations of District policies and civil and criminal acts of fraud, waste, and abuse. These investigations are actively being pursued and once completed will be closed, presented for criminal prosecution, civil recovery, and/or personnel action (discipline).

OIG Hotline

The OIG manages the District's fraud, waste, and abuse hotline, which generates hundreds of complaints, allegations of criminal misconduct, and District policy violations from internal and external sources each year. According to studies conducted by PwC¹² and the Association of Certified Fraud Examiners,¹³ corporate and occupational fraud is detected most often by whistleblowers or tipsters, rather than internal controls or law enforcement activities. As a result, they recommend that companies have robust reporting mechanisms, such as a hotline.

With this in mind, the OIG expanded our outreach to raise awareness about the hotline through social media and the redesign of our website. Further, in addition to responding to allegations of fraud, waste, and abuse, we ensure other matters from the hotline are referred to District departments and are adequately addressed and responded to promptly.

The OIG received 418 complaints/allegations throughout the year, most of which required some level of investigative follow-up. Tables 5 and 6 summarize the hotline calls received in FY 2023.

¹² https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/session9/US/NWC_NationalWhistleblowersCenter_Annex2.pdf, accessed May 1, 2023.

¹³ <https://acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf>, accessed May 2, 2023.

TABLE 5

FY 2023 Hotline Calls	
By Disposition	No. of Calls
Referred to District Management or other agency ¹⁴	236
No Action Taken ¹⁵	145
Investigation	37
Total Hotline Calls	418

TABLE 6

By Type of Allegation	No. of Calls
Violation of Policy, Procedure, Regulations or Rules	239
Health and Safety	72
Fraud	40
Unethical Conduct	40
Misapplication of Funds	22
False Certification	4
Other Type	1
Total Hotline Calls	418

District employees, students, families, other stakeholders, and members of the public are encouraged to report fraud, waste, and abuse at:

<https://achieve.lausd.net/oig>

Phone: (213) 241-7778

Toll-free: (866) 528-7364

Inspector.General@lausd.net



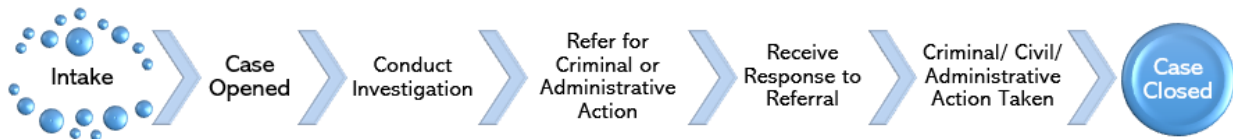
¹⁴ Complaints were referred to (i) District administrators for review and/or appropriate action or (ii) to an outside agency based on the nature of the allegations.

¹⁵ Complaints that were determined to be (i) too broad or general in their content such that reasonable suspicion of an offense was deemed lacking.



Investigative Process

The following graphic provides a general overview of the OIG’s investigative process. This process may vary depending on the nature of each investigation.



Investigating Standards

The Investigations Unit conducts its investigations according to the Principles and Standards for Offices of Inspector General. The Association of Inspectors General (AIG) drafted these principles and standards based on the quality standards for Federal Inspectors General issued by the President’s Council on Integrity and Efficiency. The principles and standards represent generally accepted principles, quality standards, and best practices applicable to federal, state, and local Offices of Inspector General.

In FY 2023, the AIG completed an external peer review of the Investigations Unit and identified areas of distinction as well as areas where compliance with professional standards could be enhanced. The next OIG peer review is scheduled for Fall 2025.

Quality Control and Assurance Program

Quality Control and Assurance Specialists conduct independent reviews to ensure that audits and investigations are performed in compliance with professional and departmental standards.

During FY 2023, independent reviews of two investigative areas addressed in prior peer reviews were completed. This year, the QC&A Specialist also coordinated the OIG's procurement of a new case management system.

External Assistance

Quality Standards for Offices of Inspector General require that staff collectively possess the variety of knowledge, skills, and experience needed to accomplish the OIG mission. If staff lacks the proficiency or capacity to accomplish the OIG mission, then support service contractors or outside consultants may be used.

During FY 2023, the OIG retained the bench firm *Risk Solutions & Investigations, Inc.* to provide investigative services.

APPENDIX 1

OIG AUTHORITY

In August 1998, the Board of Education (Board) of the Los Angeles Unified School District began the process of establishing a department within the District whose mission would be to detect and prevent fraud, waste, and abuse in District operations and programs. Those efforts resulted in combining the District’s auditors and investigators to form an Internal Audit and Investigations Department. In January 1999, the Board appointed the Department’s first Director, and in February 2000, the Board adopted the name, **Office of the Inspector General** and changed the Director’s title to Inspector General. The Board resolution which took this action stated:

“The Board wishes to instill a culture of excellence and professionalism in all aspects of the mission of the Los Angeles Unified School District and finds that an Inspector General approach to detecting and preventing waste, fraud and abuse in all District programs and operations enhances this culture of excellence.”

Following the Board’s action, the District secured support for the OIG from the California state legislature during the 2000 legislative session with the introduction of Senate Bill (SB) 1360 and its enactment on September 26, 2000, which granted the OIG statutory authority to conduct investigations. The legislature again addressed the issue in 2002 with Assembly Bill (AB) 2425 that amended Education Code Sections 35400 and 35401. AB 2425 authorized the Inspector General to conduct audits, granted confidentiality to all investigative files and work-product, and extended the original sunset provision to January 1, 2015. In 2014, AB 1825 further extended the sunset provision of Education Code Sections 35400 and 35401 to January 1, 2025.

Education Code Sections 35400 and 35401 grant the OIG statutory authority to perform some of its most critical functions. The OIG’s statute:

- Established the OIG’s authority to (i) conduct audits and investigations and (ii) report matters to the local district attorney or the Attorney General for further action.
- Granted the OIG power to (i) subpoena witnesses, (ii) administer oaths or affirmations, (iii) take testimony, and (iv) compel the production of all information and documentary evidence deemed material and relevant to an inquiry or investigation undertaken by the Inspector General.
- Provided confidentiality of (i) every investigation, including, but not limited to, all investigative files and work product, and (ii) the identity of the individual or individuals involved.



- Imposed penalties for (i) any disclosure of information by the Inspector General or that office that was acquired pursuant to a subpoena, and (ii) any person that, after the administration of an oath or affirmation, states or affirms as true any material matter that he/she knows to be false.

The Association of Inspectors General, a standard setting body for Inspectors General, believes that the preferable way for an OIG to be established is by statute. This is the manner in which the District chose to give authority and credibility to its OIG.

The OIG Charter

The OIG Charter outlines its authority and responsibilities and provides that the Board expects and encourages the OIG to be an independent voice that expresses its views without censorship by District management. Education Code Section 35400, which authorizes the OIG to conduct audits and investigations, is embodied in the Charter.



Some of the key Charter provisions authorize the Inspector General to:

- ☑ Audit and investigate any and all functions within the District as well as charter schools, charter school management organizations, and private entities that do business with the District.
- ☑ Have full, free, and unrestricted access to all District records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data or information on hardcopy or electronic media, or other materials of the District.
- ☑ Subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of such books, papers, records, and documents as may be deemed relevant to any audit, inquiry, or investigation undertaken.
- ☑ Hire staff or employ contract services within the scope of the budget authorized by the Board of Education, and within employment and public procurement requirements.

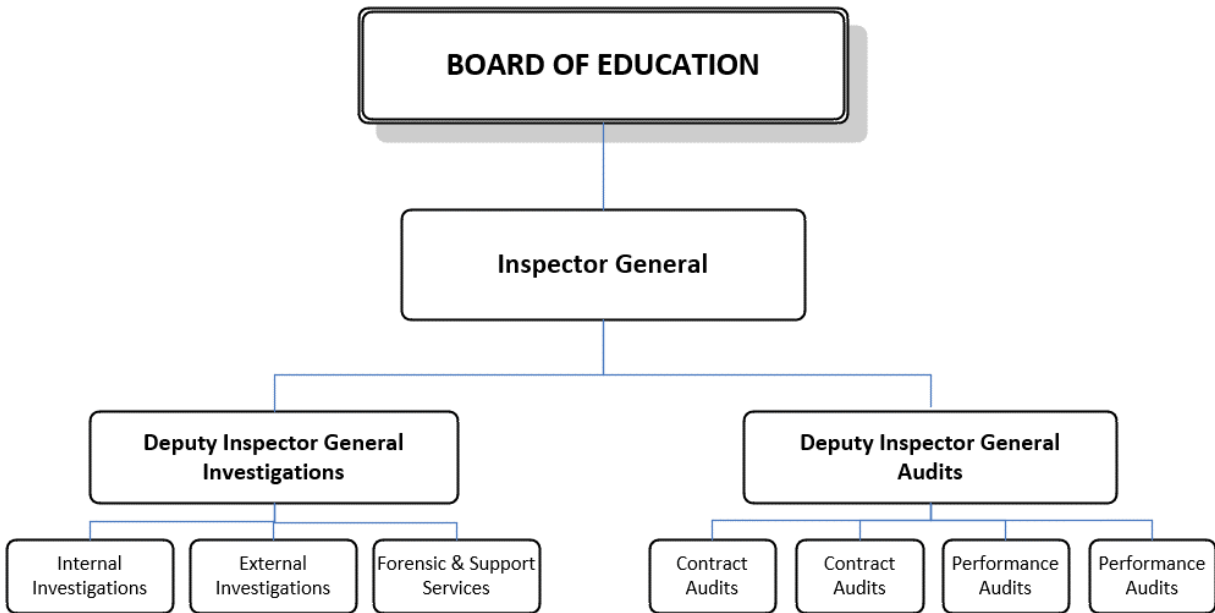
Organizational Structure

The OIG reports directly to the Board to ensure the necessary independence from District managers and staff who may attempt to protect the programs they administer or who may also be implicated. Accordingly, the responsibility for auditing and investigating is assigned to individuals following professional standards with clear independence from District management.

The OIG is comprised of auditors, investigators, and specialists who have the authority to examine any and all functions within the District and those of private entities that do business with the District. The Audit Unit conducts audits and evaluations that cover a wide range of

programs, processes, function areas, and topics. The Investigations Unit conducts investigations of crimes and/or misconduct by individuals, due diligence reviews, and background investigations. Due diligence reviews are conducted in support of the District’s ongoing efforts to minimize risk through competent review of information related to senior managers, charter school petitioners, and District vendors and contractors.

The Inspector General is appointed by the Board of Education. The Inspector General manages the OIG with the assistance of two Deputy Inspectors General. The basic organizational structure in FY 2023 was as follows.



OIG Professional Certifications and Credentials

The OIG has a highly educated professional staff. Most have advanced degrees and/or professional certifications¹⁶ in their areas of expertise. The staff also has a diligent work ethic and is committed to providing quality service to all elements of the District. Additionally, the OIG benefits from a diverse workforce reflective of the District it oversees.

The OIG is committed to maintaining a high professional standard with respect to our oversight mission. Our staff is active in professional organizations, such as the Association of Inspectors General, American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and the American Society of Industrial Security.

¹⁶ Certified Inspector General, Certified Inspector General Auditor, Certified Inspector General Investigator, Certified Inspector General Inspector/Evaluator, Certified Public Accountant, Certified Fraud Examiner, Certified Internal Auditor, Certified Information Systems Auditor, Certified Protection Professional, and Certified Information Systems Manager.

Budget and Staff

In FY 2023, the OIG had 55 authorized positions and a total budget of \$10.9 million (made up of approximately \$5.4 million in general funds, \$5.2 million in bond funds, and \$225,000 in COVID oversight funds). The OIG is also supported by administrative and internal quality assurance staff tasked with ensuring that all work performed adheres to District rules, regulations, and governing professional standards.

In all of our work, the OIG seeks to provide the Board and District staff with independent and objective information about the operations of the District and of those with whom it does business.



APPENDIX 2

AUDITS, CLOSED INVESTIGATIONS, TECHNICAL EVALUATIONS

TABLE 7 – Audits Completed in FY 2023

7/15/2022	CA 22-1357	AGM Container Controls, Inc. (Contract # 4400007357)
7/15/2022	CA 22-1355	Clark Seif Clark, Inc. (Contract # 4400005412)
8/12/2022	CA 22-1353	AAA Solar Electric, Inc. dba AAA Network Solutions, Inc. (Contract # 4400004919)
8/16/2022	CA 22-1358	Morillo Construction Inc. (Contract # 1910117 CO T-530)
8/16/2022	OA 22-1360	English Learner Advisory Committee
8/19/2022	CA 22-1359	Virco, Inc. (Contract # 4400006578)
8/19/2022	CA 22-1362	External Auditor Rotation
8/31/2022	CA 22-1361	CO Architects (Contract # 4400004891)
9/14/2022	OA 22-1356	Use of Low Value Purchase Orders (LVPO)
9/20/2022	OA 22-1316	Bond Oversight Review
9/28/2022	CA 23-1364	Pinner Construction Co, Inc. (Contract# 4400009443 CO T-555)
9/28/2022	CA 23-1365	Pinner Construction (Contract # 1910008 CO T-556)
10/3/2022	OA 22-1366	Individual Contractors
10/12/2022	OA 22-1367	School Mental Health
10/20/2022	CA 22-1370	Par Engineering, Inc. (Contract # 4400006328)
10/20/2022	CA 22-1369	Sales Tax Recovery - Phase II
10/26/2022	CA 23-1368	McGrath Rent Corp (Contract # 4400003919)
11/22/2022	OA 20-1371	Physical Security of Schools
12/14/2022	OA 22-1372	Special Review of Personal Protective Equipment
12/22/2022	CA 23-1373	Wood Environment & Infrastructure Solutions, Inc. (Contract # 4400004101)
1/26/2023	CA 23-1375	Koury Engineering & Testing Inc. (Contract # 4400004106)
2/6/2023	CA 23-1377	Dave Bang Associates, Inc. (Contract # 4400006570)
2/6/2023	CA 23-1379	The Sheridan Group (Contract # 4400006576)
2/10/2023	CA 23-1380	TYR, Inc. (Contract # 4400006368)
2/21/2023	CA 23-1378	Enterprise Construction, Inc. (Contract # 4400007621)
3/3/2023	OA 23-1381	Developer Fees
3/13/2023	CA 23-1374	Integrity Environmental Consultants (Contract # 4400005418)
3/13/2023	CA 23-1382	Kemp Bros Construction, Inc., (Contract # 4400009544 CO T-527) - Burroughs MS
3/13/2023	CA 23-1384	Kemp Bros Construction, Inc., (Contract # 4400009544 CO T-529) - Burroughs MS
3/20/2023	OA 22-1376	Payroll Deductions
3/22/2023	OA 23-1385	Facilities Services Division's Estimating Units
3/22/2023	CA 23-1383	Kemp Bros Construction, Inc., (Contract # 4400009544 CO T-528) - Burroughs MS
4/5/2023	CA 23-1387	Land Design Consultants, Inc. (Contract # 4400004297)

4/19/2023	CA 23-1389	Group Delta Consultants, Inc. (Contract # 4400004104)
4/19/2023	CA 23-1386	Hensel Phelps Construction Co. (Contract # 4400008306 CO T-570) - Belvedere MS
5/9/2023	OA 23-1390	Injury Illness Prevention (Accident Prevention)
5/10/2023	OA 23-1391	Access Compliance
5/11/2023	CA 23-1388	Arey-Jones Educational (Contract # 4400004883)
5/26/2023	CA 23-1394	The G Crew (Contract # 4400006369)
5/26/2023	CA 23-1396	Ferguson Enterprises LLC (Contract # 4400007987)
6/2/2023	OA 23-1397	Special Review of The City of Los Angeles Invoice No. 23-03 for Elections
6/12/2023	CA 23-1392	Waisman Construction, Inc. (Contract # 4400007243)
6/13/2023	CA 23-1401	Reyes Electrical Contractor, Inc. (Contract # 4400008787)
6/14/2023	OA 23-1399	Fuel Rebates and Tax Credits
6/20/2023	CA 23-1404	Prodigal Investment Group, LLC dba Premier Inspection Services (Contract # 4400006362)
6/20/2023	CA 23-1395	Geotechnical Professionals, Inc. (Contract # 4400008122)
6/26/2023	CA 23-1393	Arcadis Us, Inc. (Contract # 4400007484)
6/26/2023	CA 23-1400	Tabbara Corporation (Contract # 4400005423)
6/26/2023	CA 23-1403	Sinianian Development (Contract # 4400005873 CO T-634) Sherman Oaks
6/27/2023	OA 22-1403	Instructional Materials
6/27/2023	OA 23-1402	Operations Services - Custodial

TABLE 8 - Investigations Closed in FY 2023¹⁷

7/8/2022	1	Benefits fraud while on medical leave
7/13/2022	2	Misconduct by Division employees
8/8/2022	3	Misuse of Civic Center Permits
8/9/2022	4	Fundraising violation
8/23/2022	5	Overcharging LAUSD for residential tuition
9/30/2022	6	Benefits fraud and forgery
9/30/2022	7	Benefits fraud
10/4/2022	8	Mismanagement of booster club funds
10/6/2022	9	Retaliation for reporting improper governmental activities
11/1/2022	10	Benefits fraud and falsification of documents
11/9/2022	11	Upgrading an HVAC system that was out of scope
11/17/2022	12	Misconduct by a school principal and misuse of LAUSD property
11/30/2022	13	Providing fraudulent invoices
12/5/2022	14	Mismanagement of booster club funds
12/21/2022	15	Non-disclosure of outside interests
1/5/2023	16	Misappropriation of donated funds
1/18/2023	17	Theft and unauthorized removal of LAUSD property

¹⁷ As stated in the initial complaint.

1/23/2023	18	Misuse of LAUSD property and employing students for personal gain
2/2/2023	19	Misuse of LAUSD property and resources
2/2/2023	20	Mismanagement of student body funds
2/15/2023	21	Nepotism
2/15/2023	22	Misuse of school property for the film industry
2/15/2023	23	Fraudulently posting LAUSD job openings
2/21/2023	24	E-mail phishing scam
2/28/2023	25	Sexual harassment and improper hiring practices
3/3/2023	26	Benefits/disability fraud
3/3/2023	27	Misuse of LAUSD P-Card
3/10/2023	28	Mismanagement of fundraising money
3/14/2023	29	Bank theft via fraudulent internet activity
3/21/2023	30	Falsifying official documents
3/31/2023	31	New, unused flat files slated to be sold at a significant loss to the District
4/21/2023	32	Benefits fraud
4/21/2023	33	District program did not use a competitive bid process
4/21/2023	34	Unemployment insurance benefits fraud
4/26/2023	35	Misappropriation of funds for a school event
5/5/2023	36	Failure to disclose external employment
5/15/2023	37	Allegations of multiple billing
6/1/2023	38	Improper hiring practices
6/1/2023	39	Out of policy grade changes
6/30/2023	40	Worker's compensation fraud and excessive absences
6/30/2023	41	Inappropriate relationship with subordinate and improper hiring practices

TABLE 9 - Technical Evaluations Completed in FY 2023

07/26/2022	22-150-TE	Design Standards and Technical Specifications
07/26/2022	22-208-TE	School Improvement Program
08/19/2022	22-128-TE	Portable Replacement Project at Calabash Charter Academy - Davis Reed Construction, Inc.
09/26/2022	22-211-TE	HVAC Replacement and Interim Housing Project at Canfield Avenue Elementary School - Technion Contractors TCI, Inc.
10/28/2022	22-180-TE	Operations of the Consolidated Data Center in Van Nuys
05/15/2023	23-037-TE	Seismic Retrofit and Interim Housing Project at Placentia Elementary School - AP Construction Group, Inc. dba Air Plus
06/28/2023	22-352-TE	Classroom Addition Project at Colfax Charter Elementary School - S.J. Amoroso Construction Co., LLC

APPENDIX 3

DISTRIBUTION LIST

Board of Education
Bond Oversight Committee
Executive Officer of the Board
Superintendent
General Counsel

FRAUD, WASTE, AND ABUSE HOTLINE

Office of the Inspector General "Independent and Objective Oversight"

REPORT FRAUD, WASTE AND ABUSE



(213) 241-7778 or (866) 528-7364



inspector.general@lausd.net



<https://achieve.lausd.net/oig>

- Misuse of LAUSD funds and resources
- Retaliation for reporting misconduct
- Anyone can make a report
- Reports are confidential - you may remain anonymous if you wish

English



Español

