

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

**ANNUAL WORK PLAN
FISCAL YEAR 2024**



**SUE STENGEL
INSPECTOR GENERAL**

OFFICE OF THE INSPECTOR GENERAL

Annual Work Plan for Fiscal Year 2024

INTRODUCTION

This is the Office of the Inspector General’s (OIG) Annual Work Plan for Fiscal Year 2024 (FY 2024). The International Professional Practices Framework (for internal auditing) requires us to present a risk-based Work Plan of our projected activities for the upcoming fiscal year.¹ In FY 2024, the OIG will conduct contract and performance audits, technical evaluations of construction projects, due diligence reports related to prospective vendors and contractors, background investigations of potential District senior management employees, and will investigate allegations of criminal conduct and violations of policies by employees and entities doing business with the Los Angeles Unified School District (LAUSD or District).

Our mission is to promote a culture of accountability, transparency, collaboration, and integrity through the performance of audit and investigative services designed to drive continuous improvement, support effective decision-making, and detect and deter fraud, waste, and abuse in LAUSD.

Our Work Plan is intended to be dynamic and flexible. Throughout the year, the OIG responds to emerging risks and changing priorities. Board of Education requests, District management interests, and unforeseen events may require that we perform activities not listed in this Work Plan, or defer or forego projects based on new information and the availability of resources.

We thank the Board of Education for investing in oversight that helps instill trust and confidence in the LAUSD.

The OIG remains dedicated to providing valuable services that promote positive change for LAUSD students, families, employees, vendors, contractors, and the public.

Sue Stengel
Inspector General

¹ Institute of Internal Auditors, International Professional Practices Framework Implementation Guide, Standard 2010 - Planning.

4. We solicited input from OIG staff, who collectively possess hundreds of years of auditing and investigative experience, and hundreds of years of experience in LAUSD. Tapping into this knowledge, staff contributed their expertise related to areas in the District at risk for fraud, waste, and abuse.
5. Based on the responses from steps 1 through 4, we organized District operations into auditable areas, applied risk factors, and assessed the likelihood and impact of those risk factors relative to each auditable area. The OIG employed a risk assessment instrument originally developed in conjunction with Deloitte, and which has evolved over the years, to assess the risk level of each auditable area. Then, each area was determined to be high, medium, or low risk.
6. Finally, we chose the topics (and examples of related contracts) that were determined to be the highest risk in the assessment for the upcoming year's Work Plan.

Exhibit C provides a sample of bond related contracts and audit areas, and Exhibit D provides a sample of non-bond related contracts and audit areas that may be audited in FY 2024.

CONTRACT AUDITS

Like in years past, the OIG will conduct incurred cost audits of individual contracts.³ Additionally, we intend to examine groups of contracts with apparent similarities. For example, contracts for similar goods and services, contracts over a specified high dollar amount (such as \$10 million), or contracts with similar contractual provisions such as rebates. The contracts we will consider are either ongoing or were executed within the last three years.

The following types of contracts were rated as high risk based on the results of our risk assessment.

- Contracts whose value ends at more than 25%⁴ of the original value of the contract (bond and non-bond funded).
- Contracts for professional development.
- Contracts for removal of Americans with Disabilities Act (ADA) barriers (bond and non-bond funded).
- Contracts for tutoring services.
- Contracts that may have been subject to "bid splitting"⁵ (bond and non-bond funded).
- Contracts with a rebate provision (bond and non-bond funded).
- Contracts for comprehensive modernization projects (bond funded).
- Contracts for healthcare staffing in schools.

³ These audits examine the actual costs incurred by the contractor to determine whether the costs were allowable, allocable and reasonable in accordance with the Federal Acquisition Regulation (FAR) and contract terms.

⁴ Contracts with change orders exceeding 10% or \$500,000 (now \$1 million) are required to be audited. Those exceeding 15% but not 25% require 75% of the Board to approve them. There is currently no provision for those above 25%.

⁵ Bid splitting is intentionally dividing purchasing to avoid getting price quotes or going out to bid using a more formal procurement method. <https://www.cde.ca.gov/ls/nu/pr/procurementcnpfaqs.asp>, accessed April 30, 2023.

- Contracts for hardware, software, cloud recovery services and other internet technology services, Logical Security and Access Management, Project Management Office (PMO), E-Rate (bond and non-bond funded).

CHANGE ORDER AUDITS⁶

District policy requires the District to submit construction contract Change Orders (CO) more than \$500,000 to the OIG for audit. From 2018 through 2022, the OIG audited 14 COs and found that in all but one,⁷ there were no questioned or unsupported costs. As a result, we have asked the District to increase the amount of COs submitted for audit to \$1 million.

PERFORMANCE AUDITS⁸

The following areas were identified as high risk based on the results of our risk assessment and we will be conducting performance audits related to these topics:

- Mental health services
- Special education
- Drug abuse management
- Child abuse
- Technology infrastructure and systems upgrades (bond and non-bond funded).
- School budgets
- P-card spending
- Charter schools
- Procurement contracting process
- Facilities project execution (bond and non-bond funded).
- Nursing services

SPECIAL REVIEWS AND RATE REVIEWS

In addition to the areas listed here, the OIG may receive requests from members of the Board of Education and District management for Special Reviews or Rate Reviews of bond and non-bond funded areas not listed here. Special Reviews are limited in scope and address the specific concerns only. These types of reviews are NOT conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Rate Reviews determine an existing contractor's actual direct labor and overhead rates in order to assist Procurement officials with determining the reasonableness of provisional billing rates. Rate Review reports are not published.

⁶ These audits examine contract Change Orders for allowability, allocability and reasonableness of the proposed or claimed Change Order costs. These include changes due to added or deleted work, equitable adjustments for delay, disruption, inefficiencies, contract terminations and other claims.

⁷ In the one case where the OIG found questioned costs, the District responded that the contractor provided the required services and, therefore, the District would not pursue reimbursement.

⁸ These audits are an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of an organization, program, activity, or function in order to determine if it is performing efficiently and effectively and in compliance with policies, procedures, laws and regulations.

INVESTIGATIVE ACTIVITIES



For FY 2024, in addition to responding to allegations of District employee misconduct and policy violations, we will continue to proactively focus on certain strategic areas and investigative activities that we believe will provide the District with added protection of public resources.

The OIG will continue to concentrate on the high-risk areas that have the greatest potential for exposing the District to fraud, waste, and abuse. Where practical, we will work collaboratively with federal, state, and local law enforcement agencies in more complex criminal matters through the Education Fraud Working Group.

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 PriceWaterhouseCoopers⁹ and the Association of Certified Fraud Examiners,¹⁰ 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, not only do we respond to allegations of fraud, waste, and abuse, but also ensure other matters from the hotline are referred to District departments and are adequately addressed and responded to promptly.

⁹ https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/session9/US/NWC_NationalWhistleblowersCenter_Annex2.pdf, accessed May 1, 2023.

¹⁰ <https://acfepublic.s3.us-west-2.amazonaws.com/2022+Report+to+the+Nations.pdf>, accessed May 2, 2023.

The OIG will continue to promote awareness of the hotline and webpage among District personnel and the public, as well as through Board of Education and Bond Oversight Committee meetings. 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

EMPLOYEE INTEGRITY

Since the OIG Hotline generates hundreds of calls each year, the OIG will continue to focus on employee misconduct investigations. These investigations largely center on conflicts of interest, misappropriation of funds, embezzlement, payroll fraud, falsification of documents, property and equipment misuse, theft of property, misuse of District-issued computers and telecommunication equipment, nepotism, forgery, and ethics violations.

To enhance District-wide awareness of employee integrity issues, when necessary, we will engage and include relevant District management and staff in the various types of fraud awareness training that we secure throughout the year and encourage the use of deterrent products such as the Inspector General Fraud Warning currently included in LAUSD procurement packages.

CONTRACTOR, CONSULTANT, AND VENDOR INTEGRITY

The OIG will continue its investigative activities related to District contractors, consultants, and vendors. Allegations of theft, misappropriation of public funds, and bid-rigging are among the more common complaints. The OIG will concentrate on deterring and detecting corruption in bond related activities by focusing on allegations of conflicts of interest, impropriety, and employee and consultant malfeasance. The use of contracts awarded through the Job Order Contracting (JOC) process continues to be an area of vulnerability requiring more District and OIG oversight. To assist with these efforts, the OIG will continue investing in fraud awareness training and reporting mechanisms for referring suspected fraud, waste, and abuse to the OIG.

WHISTLEBLOWER PROTECTION

Persons who report improper governmental activity involving the District are protected against retaliation, interference, intimidation, threats, or similar acts. The OIG has the authority to investigate violations of the Whistleblower Protection Policy. The OIG will endeavor to thoroughly investigate any and all credible complaints of violations of the District's Whistleblower Protection Policy.

LEVERAGING DATA ANALYTICS

The OIG will utilize data analytics to proactively identify potential abuse and efficiently perform audit and investigative work. This includes the use of specialized equipment and software that allow for robust analysis of District enterprise and function specific systems such as Systems Applications and Products system (SAP), My Integrated Student Information System (MiSiS), and the Consolidated On-Line Information Nexus (COLIN). These efforts will also assist with a stronger focus on procurement processes and contracts that have an increased vulnerability to fraud, waste, or abuse.

DUE DILIGENCE AND BACKGROUND INVESTIGATIONS

Due diligence services and background investigations are generated proactively by the OIG and through District management requests. Due diligence services are conducted before the District enters into contracts and agreements to assess whether contractors, vendors, or consultants 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. These include reports related to the District's school construction and modernization program.

Also, the OIG conducts background investigations on all newly hired District senior management officials before they enter into employment contracts with the District, and for Charter School officials.

WORKERS' COMPENSATION AND BENEFITS FRAUD

As a self-insured organization, costs associated with fraudulent workers' compensation claims impact the District's budget directly. Similarly, the District pays the cost of unemployment insurance, so ineligible unemployment claims also negatively impact the District's budget. To mitigate the fraud risk in this area, the OIG will coordinate comprehensive efforts with the Division of Risk Management and Insurance Services to detect and deter fraudulent employee claims.

OTHER OIG ACTIVITIES

TECHNICAL EVALUATIONS

Technical Evaluations are tests or studies of construction projects conducted to determine the technical suitability of a structure, equipment, material, product, process or system for the intended objectives. Completed projects will be evaluated to ensure compliance with contract documents, specifications, and code requirements.

In FY 2024, the OIG will perform technical evaluations of the following bond funded projects that are scheduled to be completed in 2023.

Contract Number: 4400009197

Contractor: Pinner Construction Co., Inc.

Construction Project: Taft Charter High School - Plumbing Utilities Upgrades

Contract Amount: \$12,139,000

Basis: This project was selected based on its high contract value, and because the OIG has not conducted a technical evaluation of this firm since 2016.

Contract Number: 4400009058

Contractor: Geronimo Concrete, Inc.

Project: Wonderland Elementary School - Classroom Replacement

Contract Amount: \$6,317,375

Basis: This project was selected based on its contract value, and because the OIG has not evaluated this firm before.

Contract Number: 4400009897

Contractor: Best Contracting Services, Inc.

Project: San Fernando Middle School - Roofing & Water Damage Repairs

Contract Amount: \$1,904,666

Basis: This project was selected based on project management issues identified in previous technical evaluations.

Contract Number: 4400005873

Contractor: Sinanian Development, Inc.

Project: Sherman Oaks Center for Enriched Studies - Comprehensive Modernization

Contract Amount: \$87,888,000

Basis: This project was selected based on its high contract value, a District management request, and because the OIG has not evaluated this contractor since 2011.

FRAUD ALERTS

Fraud Alerts are an important tool for deterring fraudulent activities. Fraud Alerts may be issued during the fiscal year as a means of informing District management of issues of concern and to leverage OIG findings of individual acts to a broader District audience.



**Office of the Inspector General
Los Angeles Unified School District
FY 2024 Risk Assessment Survey**

The Office of the Inspector General (OIG) is the entity responsible for investigating allegations of misconduct related to fraud, waste and abuse committed at the Los Angeles Unified School District (District). The OIG also audits District contracts and programs that are at risk for fraud, waste and abuse.

This is the OIG’s annual survey. We need your feedback to help us assess risks to the District. Your responses to this survey will assist us in developing the OIG Work Plan for FY 2024. Please write your responses in the spaces provided below questions 1 - 6. Please be as specific as possible in your response. Questions 7 - 9 are multiple choice questions and are for demographic information only. You may skip any question. The information you provide will be completely anonymous. The survey has no tracking mechanism to identify the person completing the survey. For the open-ended questions below, you may write up to 300 characters.

Thank you in advance for your participation in this survey.

DEADLINE: March 27, 2023

1. List areas related to instructional programs at LAUSD that you believe may be at risk for fraud, waste, or abuse. Areas may include A-G curriculum, early childhood education, outdoor education and nature-based experiences, textbooks, Advanced Placement courses, or after school programs. Please be as specific as possible.

2. Describe any concerns related to LAUSD instruction that you would like to refer to the OIG for a review.

3. List areas related to LAUSD's student support services that you believe may be at risk for fraud, waste, or abuse. Areas may include nursing, transportation, food and cafeterias, school libraries, procurement, instructional materials, fundraising activities, mental health services, special education programs, payroll, technology, supplies, or school security. Please be as specific as possible.

4. Describe any concerns related to student support services that you would like to refer to the OIG for review.

5. List areas related to LAUSD's operations that you believe may be at risk for fraud, waste, or abuse. Areas may include human resources, payroll, benefits, construction, contracts, computers/information technology, or any other department. Please be as specific as possible.

6. List any other areas related to any LAUSD operations that you believe are at risk for fraud, waste, or abuse. Please be as specific as possible.

7. What gender do you identify as?

- Female
- Male
- Non-binary
- Prefer not to say

8. Please select your status in relation to the Los Angeles Unified School District (LAUSD).

- LAUSD Student
- Parent/Guardian
- LAUSD Employee
- Contractor/Consultant
- Bond Oversight Committee Member
- Community Member
- Prefer not to say
- Other (please specify)

9. Please specify your ethnicity.

- Caucasian
- African-American
- Latino or Hispanic
- Asian
- Native American
- Native Hawaiian or Pacific Islander
- Prefer not to say
- Other (please specify)

**FISCAL YEAR 2024 RISK ASSESSMENT SURVEY
SUMMARY OF RESPONSES**

TOP 3 AREAS OF CONCERNS OVERALL

Mental Health/Psychologists
Procurement/Contracting
Special Education

TOP 3 AREAS OF CONCERNS BY CATEGORY

INSTRUCTIONAL PROGRAMS

Afterschool Beyond the Bell/Tutoring
Educational Technology
Charter Schools Division

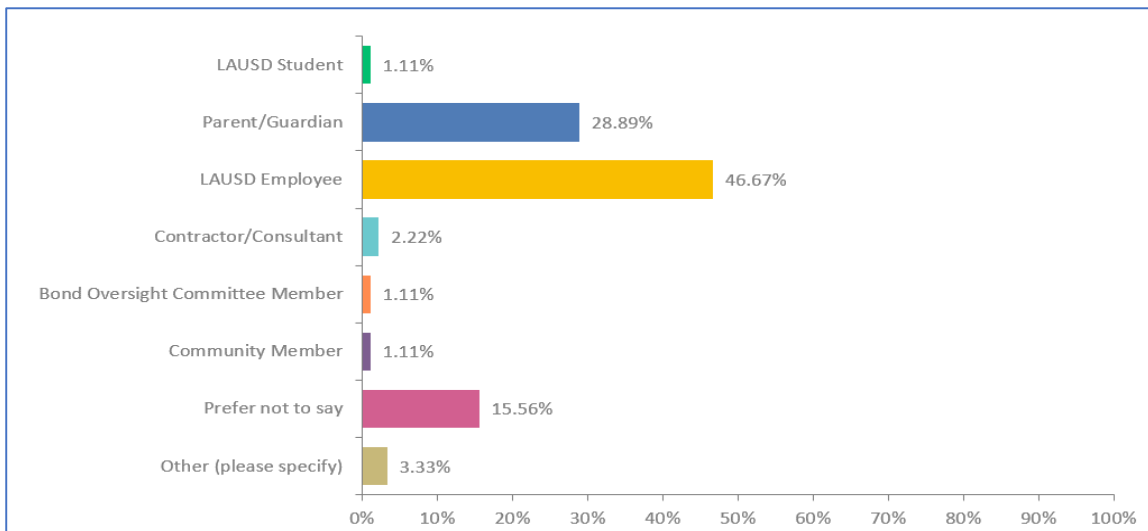
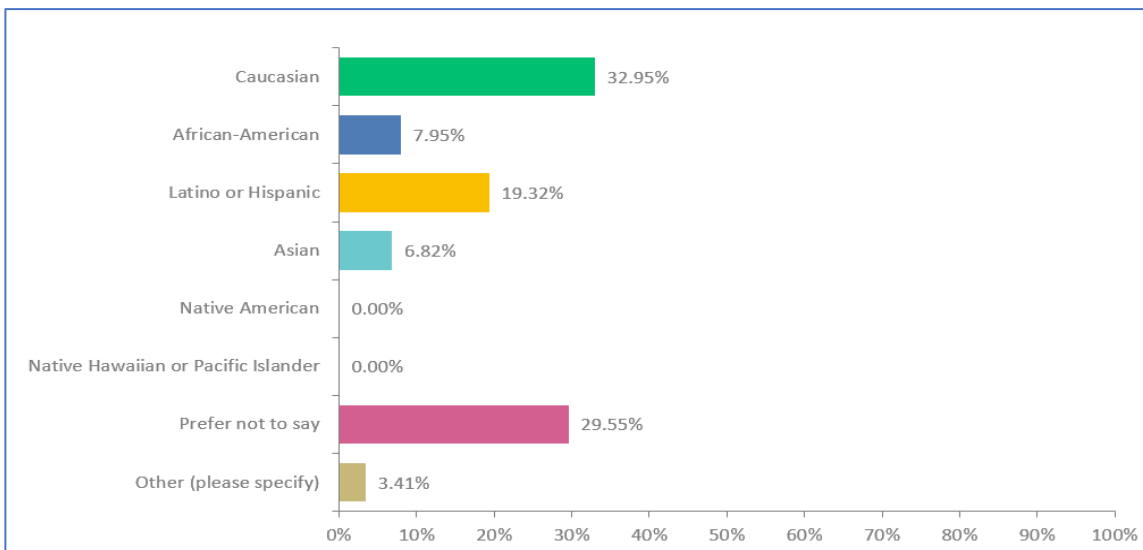
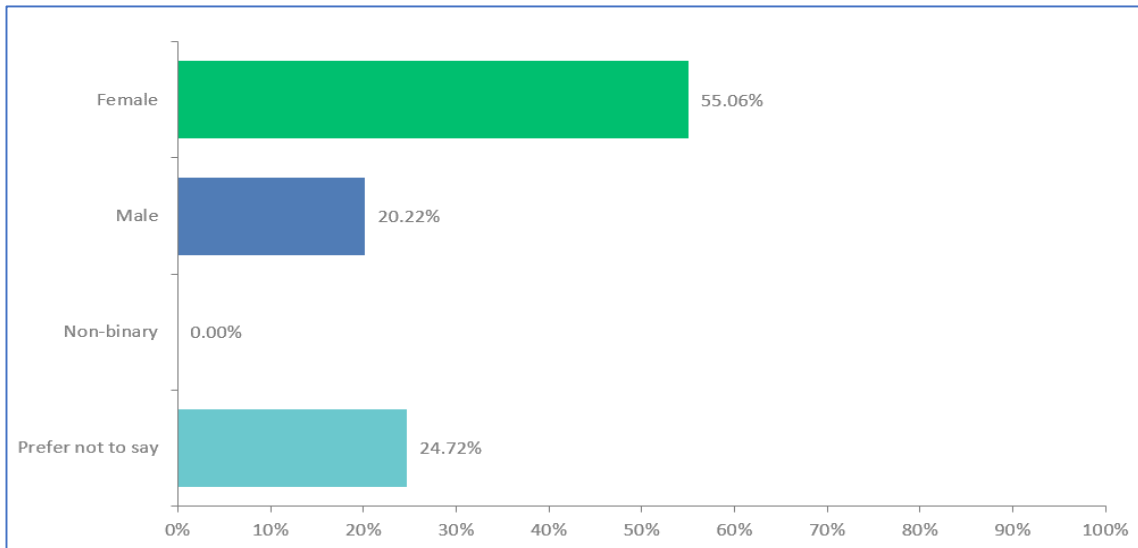
STUDENT SUPPORT SERVICES

Mental Health/Psychologists
Food Services
Procurement/Contracting

DISTRICT OPERATIONS

Procurement/Contracting
Construction Program
Information Technology

FISCAL YEAR 2024 RISK ASSESSMENT SURVEY RESPONDENT DEMOGRAPHICS



EXAMPLES OF BOND RELATED CONTRACTS AND AUDIT AREAS FOR FY 2024						
Item No.	Contract No.	Contractor/Project Name	Description	Contract Amount	User Dept.	Bond Eligible
1	4400009407	MAETECH INC.	Contract for Cloud Disaster Recovery Services	\$ 9,351,691	ITS-ITFA-All Schs	Yes
2	4400009991	VECTOR RESOURCES, INC.	Contract for Purchase of Information and Technology Equipment	\$ 4,000,000	ITS-IT Supp Services	Yes
3	4400009916	S.J. AMOROSO CONSTRUCTION CO, INC.	Construction contract for the Kennedy HS Comprehensive Modernization Project	\$ 20,440,377	FSD	Yes
4	4400009423	TECHNION CONTRACTORS TCI INC.	Construction contract for the 7th Street ES New Food Services Building Project	\$ 6,883,852	FSD	Yes
5	4400009840	R BROTHERS, INC.	Construction contract for the Paul Revere MS ADA Barrier Removal Project	\$ 6,023,894	FSD	Yes
6	4400010613	MIK CONSTRUCTION INC.	Construction contract for Sunrise ES ADA Barrier Removal Project	\$ 2,925,756	FSD	Yes
7	4400010036	NSA CONSTRUCTION GROUP, INC.	Construction contract for the Dana MS ADA Barrier Removal Project	\$ 2,956,945	FSD	Yes
8	4400008525	COMMUNITY PLAYGROUNDS, INC.	JOC contract for Playground Safety Tile Matting	\$ 3,850,000	FSD	Yes
9	N/A	Technology Infrastructure and System Upgrades	Projects may include the replacement of outdated and/or installation of new networks, telephones, public address systems, intercommunications, and security systems at schools	\$ 597,500,000	Information Technology Services	Yes
10	N/A	Volume Rebate Program	Program monitors the receipt of volume rebates pursuant to contracts	N/A	Various	Yes

EXAMPLES OF NON-BOND RELATED CONTRACTS AND AUDIT AREAS FOR FY 2024						
Item No.	Contract No.	Contractor/Project Name	Description	Contract Amount	User Dept.	Bond Eligible
1	4400008235	Crayon Software Experts LLC	Contract to provide District-wide Enterprise License Agreement for Microsoft English Language Art (ELA)	\$36,690,717	ITTS-IT Support Services	No
2	1912601	ELLIOTT INSTITUTE, INC.	Contract for behavioral services provided to special needs students	TBD	Division of Special Education	No
3	4400010480	AMPLIFY EDUCATION INC.	Contract for virtual tutoring services	\$ 250,000	Off of Acad Chief	No
4	4400010486	CARNEGIE LEARNING, INC.	Contract for virtual tutoring services	\$ 250,000	Off of Acad Chief	No
5	4400010508	TUTORED BY TEACHERS	Contract for virtual tutoring services	\$ 250,000	Off of Acad Chief	No
6	4400006520	MAXIM HEALTHCARE SERVICES HOLDINGS	Contract to provide healthcare staffing services (such as nurses, medical assistants, speech language pathology assistant, etc.) to the District	\$ 4,653,824	SHHS-Sch Prog (INC)	No
7	4400006522	RCM TECHNOLOGIES (USA) INC.	Contract to provide healthcare staffing services (such as nurses, medical assistants, speech language pathology assistant, etc.) to the District	\$ 2,581,050	SHHS-Sch Prog (INC)	No
8	N/A	Special Education	Individualized Education Plan (IEP) Meetings and Assessments	N/A	Division of Special Education	No
9	N/A	Drug Abuse Management	The fentanyl crisis and administration of Naloxone Nasal Spray	N/A	Office of the Chief Medical Director	No
10	N/A	Charter Schools	Background checks of employees hired at independent charter schools	N/A	Charter Schools Division	No
11	N/A	Charter Schools	Financial management, operations, and school governance as outlined in charter school agreements	N/A	Charter School Division	No



Maybe you are a school district employee, a parent or just a concerned citizen. Regardless, you can make a difference!

Maybe you know something about fraud, waste, or some other type of abuse in the school district.

The Office of the Inspector General has a hotline available 24 hours a day, seven days a week. You can confidentially communicate with the LAUSD-OIG after submitting a report even if you select to remain anonymous.

If you wish, we will keep your identity confidential and you are protected by law from reprisal by your employer.

Whistleblower Protection

The Board approved the Whistleblower Protection Policy on February 12, 2002. This policy protects LAUSD employees who make allegations of improper governmental activity from retaliation or reprisal. To assure the reporting of any activity that threatens the efficient administration of the LAUSD, reports that disclose improper governmental activities shall be kept confidential.

General Contact Information

Office of the Inspector General
333 S. Beaudry Avenue, 12th Floor
Los Angeles, CA 90017
<https://achieve.lausd.net/oig>

OIG HOTLINE
Report fraud, waste and abuse