



# LOS ANGELES UNIFIED SCHOOL DISTRICT OFFICE OF THE INSPECTOR GENERAL

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## Annual Work Plan Fiscal Year 2020



**William Stern**  
**Inspector General**

**OFFICE OF THE INSPECTOR GENERAL**  
**Annual Work Plan for Fiscal Year 2020**

**INTRODUCTION**

This is the Office of the Inspector General's (OIG) Annual Work Plan for Fiscal Year 2020 (FY 2020). This Work Plan describes the work that the OIG plans to undertake in the upcoming fiscal year. It includes an audit plan and a description of the ongoing and future work of the Investigations Unit. The OIG conducts its auditing work through the Audit Unit that focuses on contracts and activities primarily funded by school bond measures as well as District-wide programs, processes and systems. OIG audits are performed pursuant to Government Auditing Standards.

Our Work Plan is presented in two sections covering the work of the Audit Unit and the Investigations Unit, respectively. Our Work Plan is intended to be dynamic and flexible, so that we are able to be responsive to emerging risks and changing priorities. Board of Education requests and Senior Management interests may require that we perform activities not listed in this Work Plan, or that projects listed in this Work Plan be deferred or not performed at all, based on new information received during the year and the availability of resources. When such changes occur, they will be reported to the Board of Education

The OIG is dedicated to providing valuable services that encourage continuous improvement and positive change as well as effective decision-making. This mission is critical as the District implements budget reductions in FY 2020. Through our work, we strive to promote the culture necessary to deliver a high quality education for every student of the Los Angeles Unified School District.

William Stern  
Inspector General

# AUDIT UNIT

The Audit Unit has principal responsibility for performing audits of District operations, activities and contracts. Audits are done mainly to (i) evaluate the efficiency and effectiveness of District operations, (ii) determine if activities are being carried out in accordance with District policies, applicable laws and regulations, and (iii) ensure that District vendors and contractors comply with the requirements of their contracts and that contracted funds, especially bond funds, are expended as intended. Additionally, the Investigations Unit is supported via responding to allegations of fraud, waste, and abuse from various sources such as the Board of Education, District management, and the public.

The OIG developed its audit plan by means of a comprehensive risk assessment process. This is a systematic process of evaluating the potential risks that may be involved in a projected activity or undertaking. It involves the identification, measurement and prioritization of risks and auditable areas. It also includes the organization of operations into auditable areas, defining and describing the risk factors applicable to the District and assessing the likelihood and impact of those risk factors relative to each auditable area. Working with management staff responsible for each area, the OIG engages them in a conversation about their goals and objectives including a discussion of the potential risks and opportunities from both the OIG perspective and District management's perspective that could impact a department's ability to achieve the department level goals and objectives. The OIG then selects audits in those areas, the results of which can provide insight to help management achieve those goals and objectives. For FY 2020, we further focused on audit areas that have an enterprise level impact and where improvements can yield the greatest potential benefit to the District and its stakeholders.

The audit plan identifies audits and activities for several divisions within the District. The audit plan for FY 2020 includes **40** projects with a total contract value of **\$248 million**. The following are descriptions of the types of audits that will be performed as part of the FY 2020 Work Plan.

## **1. Performance Audits (10)**

This type of audit is 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.

## **2. Incurred Cost Audits (12)**

This type of audit examines 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.

### **3. Special Reviews (3)**

Special reviews are conducted as a result of requests from the Board of Education, District Management, findings identified in the course of an audit, or concerns reported to the OIG. The reviews are limited in scope and address the specified concerns only. They are not conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS).

### **4. Technical Evaluations (6)**

Technical Evaluations are tests or studies conducted to determine the technical suitability of a structure, equipment, material, product, process or system for the intended objectives. Several completed projects will be evaluated to ensure that these projects complied with contract documents, specifications and State Code requirements.

### **5. Change Order Audits (1)**

This series of audits examines the contract change order 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. We will perform audits of construction change orders in excess of a threshold amount.

### **6. Rate Reviews (8)**

This type of review examines a contractor's provisional billing rates under an existing contract with the District. The review determines the contractor's actual direct labor and overhead rates in order to assist procurement officials with determining the reasonableness of the provisional billing rates.

A complete list and description of the **40** projects is attached as Exhibit A to this document.

# INVESTIGATIONS UNIT

For FY 2020, in addition to responding to allegations of District employee misconduct and policy violations, we will continue to proactively focus on certain strategic areas and activities that we believe will provide the District with added protection of public resources.

The Investigations Unit will be implementing a new case management system that will replace an aged system that lacks several central characteristics of a competent solution. This new system will include features that will enable management to maximize resource utilization and to improve the timeliness of investigative activities. These features will be critical as we implement budget reductions that will eliminate four investigative positions in FY 2020.

The Investigations Unit will continue to concentrate on the high-risk areas that have the greatest potential for exposing and deterring fraud, waste, and abuse. Where practical, the Investigations Unit will work collaboratively with federal, state and local law enforcement agencies in more complex criminal matters. The Work Plan identifies the major areas where we will concentrate our resources.

## **1. The OIG Hotline**

The Investigations Unit manages the District's OIG Hotline, which generates whistleblower complaints, allegations of misconduct, and District policy violations from a myriad of internal and external sources each year. The OIG has expanded the operational value of the Hotline to not only respond to allegations of fraud, waste and abuse, but also to ensure that matters referred to other departments within the District are adequately addressed and responded to promptly. This initiative has included increasing the visibility of the OIG Hotline telephone numbers on the District's Website as well as an outreach campaign to increase awareness of the OIG Hotline among District personnel. This campaign will also be implemented by promoting the OIG's webpage and its online reporting system through Fraud and Ethics related communications to all District personnel, vendors, contractors, parents, and students.

## **2. Proactive Initiative Leveraging Data Analytics**

Employees' misuse of the District-issued procurement credit card (p-card) continues to be an area of concern for the District. As a proactive measure, the OIG will leverage data analytics to identify (i) indicators of potential fraud, abuse, and misuse of the p-card, (ii) significant non-compliance with the use of p-cards as promulgated by the Procurement Manual issued by the Procurement Services Division (PSD), and (iii) substantial weaknesses in the operating effectiveness of internal controls within the p-card program. The issues or potential issues identified will be considered for further OIG work, including but not limited to special reviews, preliminary investigations, investigations, and/or audits. As deemed necessary, the Inspector General will also refer specific issues to District Management for immediate corrective action. The OIG will further explore additional vulnerabilities for data analysis solutions.

### **3. Employee Integrity**

Employee misconduct investigations will continue to be a focus area due to the number of reports received through the OIG Hotline and to the office directly. These investigations focus on allegations related to 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 tele-communication equipment, nepotism, forgery, misconduct, and ethics violations.

Similar to employee investigations, the OIG will continue to focus its efforts on District contractors, consultants and vendors with respect to theft and misappropriation of public funds.

To enhance District-wide awareness of employee integrity issues, we will strive to conduct fraud awareness training at the Local District (LD) level to better apprise District management and staff of these issues and how to prevent them. In addition, for those areas that require administrative review but that do not rise to the level of an OIG investigation, we will provide investigative assistance to LD operations staff handling these matters.

### **4. Whistleblower Allegations**

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.

### **5. School Construction and Modernization Program**

As the District's multi-billion dollar school construction and modernization program moves away from new construction and concentrates on modernization, allegations of conflicts of interest, impropriety, and employee and consultant malfeasance are likely to increase, requiring a concentrated effort to deter and detect corruption. The number of contractors that the Facilities Services Division (FSD) will manage will increase thereby requiring more diligence from District staff and the OIG. Additionally, the increased use of contracts awarded through the Job Order Contracting (JOC) process will require more District and OIG oversight to avoid the risks of improper conduct. To assist with these efforts, we continue to focus on creating more Facilities and Procurement fraud expertise in the OIG.

### **6. Due Diligence and Background Investigations**

The OIG's due diligence services and background investigations support the District in its efforts to root out potential problems before entering into contracts and agreements. The OIG will continue to support the District by providing relevant information to the District on companies and individuals involved with the District's school construction and modernization program, its charter schools, and in senior management.

## **7. Workers' Compensation and Benefits Fraud**

As a self-insured District, costs associated with fraudulent workers' compensation claims impact the District's budget directly. To offset this negative impact on the District, the OIG will coordinate its anti-fraud efforts with the Division of Risk Management and Insurance Services' Integrated Disability Management and its third party administrators (Sedgwick Claims Management Services and G4S Investigations) to uncover and to deter employees from filing duplicitous and fraudulent claims.

### **OTHER OIG ACTIVITIES**

#### **Fraud Alerts**

Fraud Alerts are an important tool for deterring the continuation of fraudulent activities that have been identified by the OIG. Fraud Alerts serve as a means of informing District management of issues of concern and as a means of leveraging OIG findings of individual acts to a broader District audience.

#### **Special Reviews**

As a supplement to the audit and investigative functions, the OIG performs two types of Special Reviews. One is a short-term (usually 2-3 months) management or program review that focuses on an issue or concern of the Board of Education, the Superintendent, or District management. These short-term reviews examine programs from a broader, more issue-oriented perspective than traditional audits or investigations. These reviews also combine some of the best features of several disciplines; including program evaluation, survey research, operational auditing, program monitoring, compliance reviews, legal analysis, investigations, and management analysis. Through these short-term special reviews, we are able to provide timely, useful, reliable information and advice to District decision makers.

The second type of Special Review is a preliminary analysis (usually less than 30 days) of a specific issue or concern to determine whether a more in-depth, independent audit or investigation should be conducted.

AUDIT PLAN FOR FY 2019 - 2020						
Item No.	Contract No.	CONTRACTOR/PROJECT NAME	DESCRIPTION	Contract Amount	Type of Audit	User Dept.
<b>Contract Audits</b>						
1	4400001713	DataPlus Tech, Inc.	Contract for information technology services and support	\$9,063,229	Incurred Cost	ITD
2	4400005698	S J Amoroso Construction Co., Inc.	Crenshaw HS - Seismic Modernization	\$71,741,675	Incurred Cost	FSD-Project Exe
3	4400004111	Southwest Inspection and Testing	Contract for M&O material testing	\$1,500,000	Incurred Cost	FSD-Design Department
4	4400004107	MTGL, Inc.	Contract for M&O material testing	\$1,300,000	Incurred Cost	FSD-Design Department
5	4400004108	Ninyo and Moore	Contract for M&O material testing	\$1,500,000	Incurred Cost	FSD-Design Department
6	4400004103	Converse Consultants	Contract for M&O material testing	\$2,250,000	Incurred Cost	FSD-Design Department
7	4400007462/ 1920019	Acentech, Inc.	Audit of the subcontractors' overhead and direct labor rates	\$16,000,000	Rate Review	FSD-Asset Management
8	4400007462/ 1920019	Environmental Science Associates	Audit of the subcontractors' overhead and direct labor rates		Rate Review	FSD-Asset Management
9	4400007158/ 1920007 & 4400007241/ 1920009	The Hill Partnership, Inc. dba HPI Architecture	Audit of the prime contractor's overhead and direct labor rates	\$780,862	Rate Review	FSD-Asset Management
10	4400007158/ 1920007 & 4400007241/ 1920009	P2S	Audit of the subcontractors' overhead and direct labor rates		Rate Review	FSD-Asset Management
11	4400007241/ 1920009	The Ruzicka Company	Audit of the subcontractors' overhead and direct labor rates		Rate Review	FSD-Asset Management
12	4400007241/ 1920009	Page & Turnbull	Audit of the subcontractors' overhead and direct labor rates		Rate Review	FSD-Asset Management
13	4400007241/ 1920009	Myers Houghton & Partners	Audit of the subcontractors' overhead and direct labor rates		Rate Review	FSD-Asset Management
14	4400004063	Martinez Architects, Inc.	Contract for AE services	\$1,900,000	Incurred Cost	FSD-Design Department
15	4400004067	JCJ Architecture PC	Contract for AE services	\$1,400,000	Incurred Cost	FSD-Design Department
16	4400002565	CSDA Design Group	Architect-Engineer professional services for the Olive Vista MS modernization project	\$2,714,072	Incurred Cost	FSD - Asset Management
17	4400004728	HMC Architects	Architect-Engineer professional services for the Jefferson HS modernization project	\$10,507,549	Incurred Cost	FSD - Asset Management
18	4400003203	Pacifica Services, Inc.	Contract for professional CM services	\$7,250,000	Incurred Cost	FSD-Program Support Services
19	4400002644	Aecom Technical Services, Inc.	Contract for professional CM services	\$46,500,000	Incurred Cost	FSD-Program Support Services



AUDIT PLAN FOR FY 2019 - 2020						
Item No.	Contract No.	CONTRACTOR/PROJECT NAME	DESCRIPTION	Contract Amount	Type of Audit	User Dept.
<b>Contract Audits</b>						
20	N/A	Photovoltaic Program	Approved spending of \$146 million on the PV program and anticipated to realize \$11.4 million of general funds savings over 20 years. We will evaluate if the PV program is realizing the anticipated cost savings.	N/A	Special Review	FSD
21	N/A	Asset/Inventory Management System	To evaluate the District's asset management system.	N/A	Special Review	ITD
22	N/A	FSD Construction Budget	To determine the nature of construction budget revisions	N/A	Special Review	FSD
23	TBD	Change Order Audits	Change order audits performed upon FSD requests for negotiated change orders over a threshold amount to determine if the negotiated amount is adequately supported and in accordance with the contract's provisions.	TBD	Change Order	FSD
24	TBD	Overhead & Labor Rate Audits	Overhead and labor rate audits performed per Facilities Contracts' request to determine whether the preliminary rates, which are subjected to adjustments based on the audit results, awarded to FSD Asset Management's A/E bench firms are reasonable/adequately supported.	TBD	Rate Review	FSD
<b>Performance Audits</b>						
25	N/A	School Funds	To determine whether monies at the school site are being handled in accordance with District policies and procedures (e.g. school managed cash accounts, imprest funds, student body)	N/A	Performance Audit	Schools
26	N/A	ITD Bond Fund Expenditures	To determine whether ITD's allocated bond funds are expended as intended	N/A	Performance Audit	ITD
27	N/A	Follow-Up of Previous Audit Recommendations	Follow-up on prior OIG recommendations to District management.	N/A	Performance Audit	Various
28	N/A	ITD Consultants	To review ITD's management of consultants/staff augmentation contracts	N/A	Performance Audit	ITD
29	N/A	Time & Attendance - Overtime	To determine whether the payment of overtime was reasonable and in compliance with District policies and procedures.	N/A	Performance Audit	Payroll Services and Multiple Offices/Schools
30	N/A	FSD Change Order Process	To determine if FSD is in compliance with the change order policies and procedures and to review for opportunities for improvement	N/A	Performance Audit	FSD/PSD
31	N/A	JOC Program	To determine if JOC job orders are being executed in accordance with JOC manual	N/A	Performance Audit	FSD/PSD
32	N/A	Labor Compliance Program	To evaluate the operations of the Labor Compliance Program	N/A	Performance Audit	FSD/PSD
33	N/A	Physical Security	To evaluate the District's physical security	N/A	Performance Audit	FSD/PSD
34	N/A	Information Security	To evaluate the District's information security	N/A	Performance Audit	FSD/PSD

AUDIT PLAN FOR FY 2019 - 2020						
Item No.	Contract No.	CONTRACTOR/PROJECT NAME	DESCRIPTION	Contract Amount	Type of Audit	User Dept.
<b>Contract Audits</b>						
<b>Technical Evaluations</b>						
35	4400005246	Pinner Construction Co., Inc.	Olive Vista MS - Seismic Modernization	\$31,421,413	Tech Eval	FSD-Project Exe
36	4400004638	Kemp Bros Construction, Inc.	International Studies Learning Center Addition	\$30,408,212	Tech Eval	FSD-Project Exe
37	4400006343	Beta Investments & Contracts, Inc.	Pio Pico - HVAC & Fire Alarm System	\$2,275,000	Tech Eval	FSD-Project Exe
38	4400005441	A & B Construction, Inc.	Fairfax HS-Boilers and Air Handling Units Replacements	\$9,948,000	Tech Eval	FSD-Project Exe
39	N/A	Project Inspection	Review of Project Inspectors' Performance in Construction Projects	N/A	Tech Eval	FSD - M&O
40	N/A	Facilities Environmental Technical Unit (FETU)	Review of FETU Environmental Assessments and Abatement Designs	N/A	Tech Eval	FSD-FETU
<b>Grand Total</b>				<b>\$248,460,012</b>		

## Know about fraud, waste or abuse?

### Tell us about it.

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 for you to call. You can also email or write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. 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  
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Los Angeles, CA 90017  
Phone: (213) 241-7700  
Fax: (213) 241-6826  
<https://achieve.lausd.net/oig>

### Fraud, Waste and Abuse Hotline

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

inspector.general@lausd.net