



**Office of the Inspector General
Los Angeles Unified School District**

**Special Review of
COVID-19 Revenues and Expenses**

OA 21-1304

June 29, 2021



Los Angeles Unified School District
Office of the Inspector General

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June 29, 2021

Ms. Joy Mayor, Director
General Accounting & Reporting
Los Angeles Unified School District
333 S. Beaudry Avenue, 26th Floor
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Mr. Tony Atienza, Director
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Los Angeles Unified School District
333 S. Beaudry Avenue, 26th Floor
Los Angeles, CA 90017

RE: Special Review of COVID-19 Revenues and Expenses

Dear Ms. Mayor and Mr. Atienza:

This is our report on COVID-19 Revenues and Expenses. The objectives of the special review were to (i) determine whether LAUSD obtained all available funds for expenses related to COVID-19, (ii) determine whether the COVID-19 expenses the District incurred were eligible expenses that were charged in accordance with the requirements of the appropriate funding sources, (iii) examine Covid-19-related expenses to determine if the District was subject to price gouging by its vendors or contractors for the goods and services it paid for.

We appreciate your continued support of our services.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

William Stern

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Inspector General



**Los Angeles Unified
School District**
COVID-19 Revenues and Expenses
Special Review
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Objectives, Scope, and Methodology

Objectives

The objectives of this special review were to:

- (i) determine whether Los Angeles Unified School District (the District) obtained all available funds for expenses related to COVID-19,
- (ii) determine whether the COVID-19 expenses the District incurred were eligible expenses that were charged in accordance with the requirements of the appropriate funding sources, and
- (iii) examine COVID-19-related expenses to determine if the District was subject to price gouging by its vendors or contractors for the goods and services it paid for.

Scope

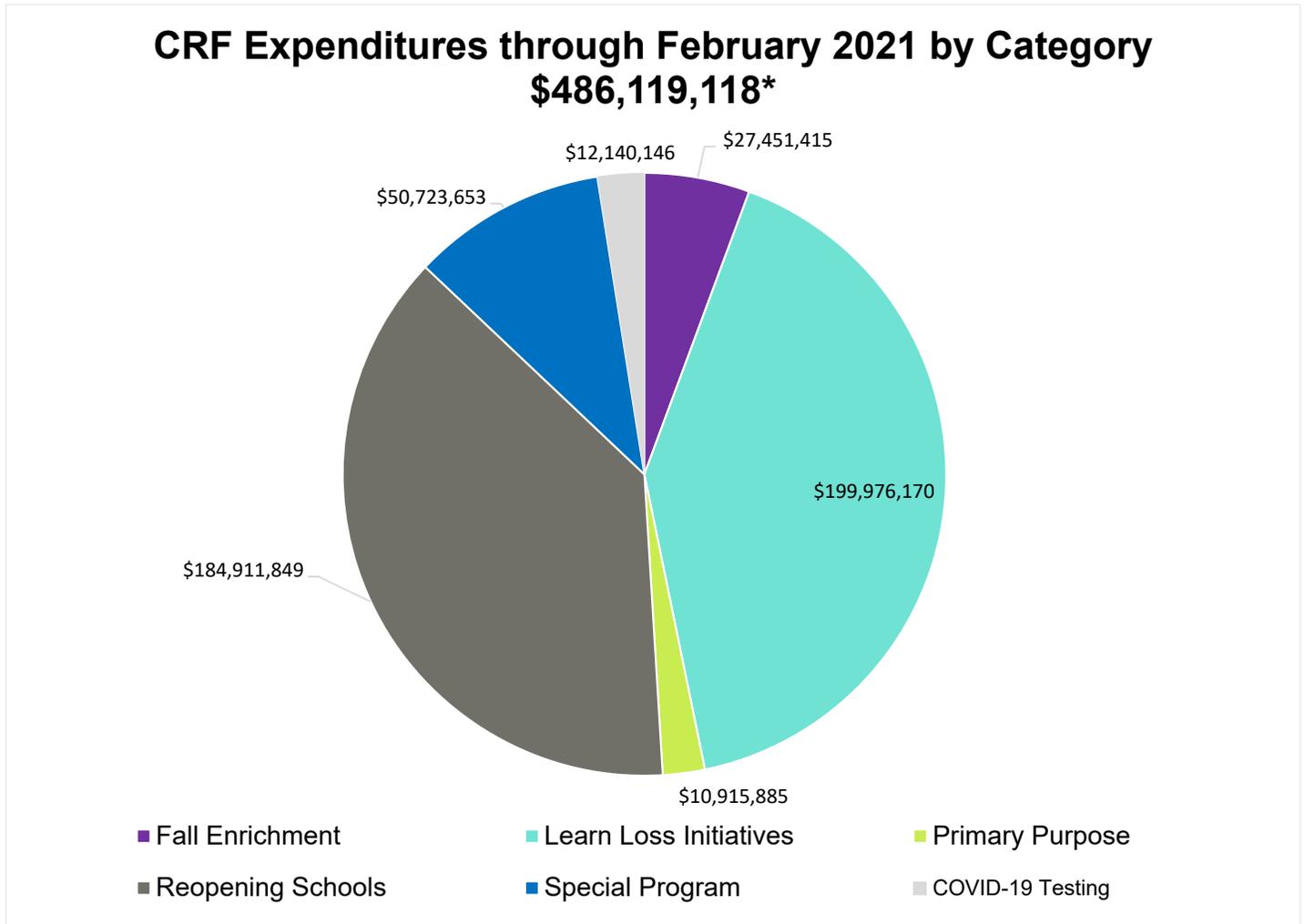
We applied the objectives to expenditures incurred in relation to the District's Elementary and Secondary School Relief Fund (ESSER) and Coronavirus Relief Fund (CRF) for the period March 13, 2020 through February 28, 2021.

Methodology

- Met with District Budget and Accounting personnel to understand the processes in place to ensure expenditures reported under each program were reviewed for compliance with associated regulations and approved by appropriate personnel.
- Reviewed the various sources the District obtained for expenditures related to COVID-19 and compared it to the known sources available to the District.
- Obtained and analyzed expenditure populations for ESSER and CRF costs incurred by the District.
- Selected 40 transactions within each population (ESSER and CRF) for a total of 80 transactions using a risk-based approach. Our sample included various transactions for goods and services. Payroll transactions were generally excluded from the sample, as the associated risk was deemed low. Focusing on large transactions across various program categories, we examined supporting documentation for each charge to ensure that it was allowable under program regulations and was incurred in the appropriate period.
- Analyzed expenditure population for frequently used vendors and significant vendor purchases. Also reviewed District Board meeting materials on approved contractors for goods and services provided for COVID-19 related costs.
- Reviewed the policies surrounding the District's Grab & Go and Summer Enrichment Programs to verify that payments made to employees were appropriately authorized.
- Selected three contractor purchase orders approved by the District and reviewed procurement documentation to verify contracts were appropriately bid or had documentation of allowable exceptions.
- Compared prices within selected contracts to similar unit prices for purchases of similar products to determine whether the District was subject to price gouging.

Spending Analysis - CRF

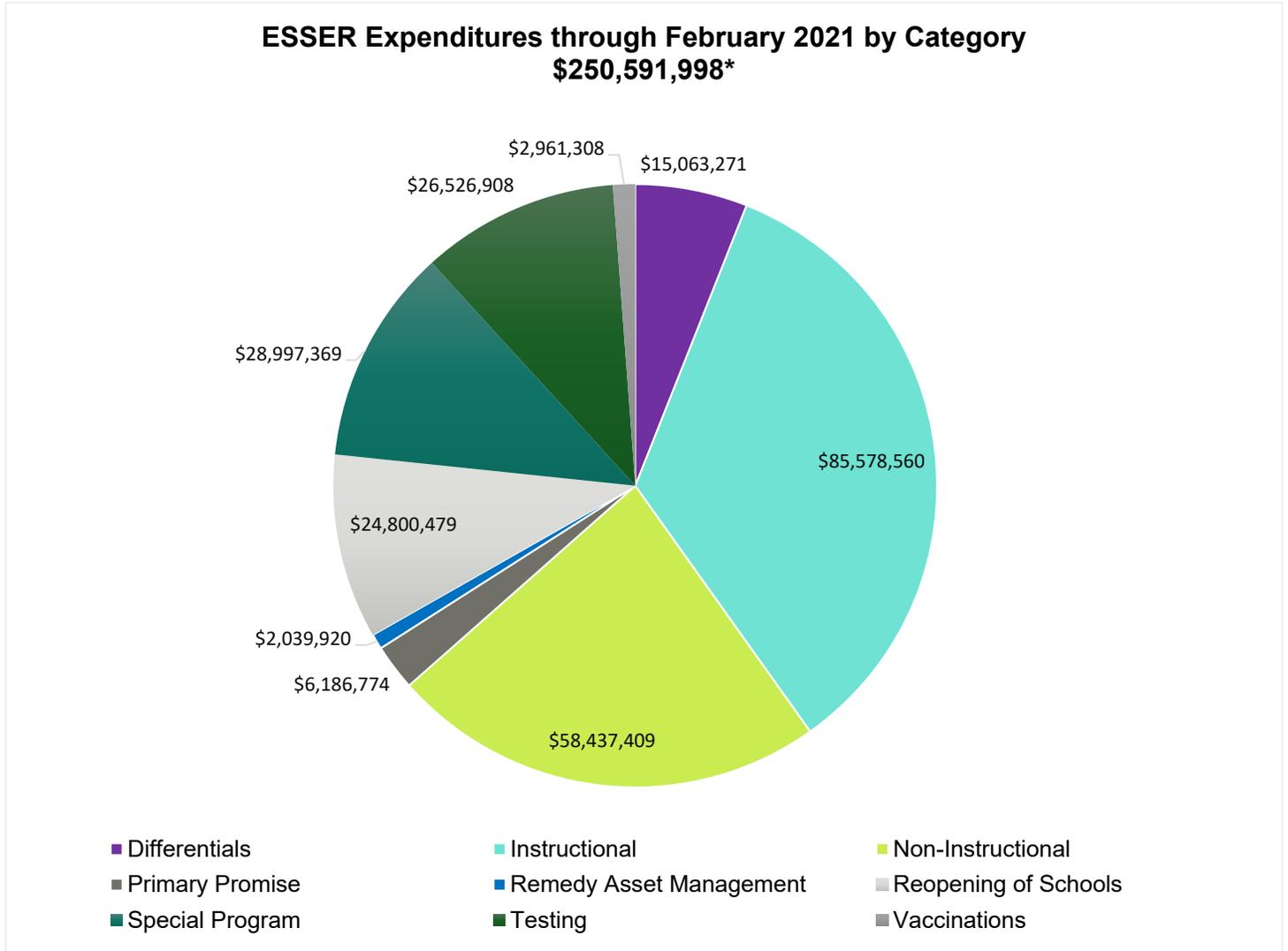
CRF Expenditures



*These categories were based on program codes (accounting codes) created by the District and were created solely for the purposes of illustrating the population under review. The District has prepared their own grouping based on the four focus areas created by the District's Budget office and will differ from this report's illustration.

Spending Analysis - ESSER

ESSER Expenditures



*These categories were based on program codes (accounting codes) created by the District and are displayed here solely for the purposes of illustrating the population under review. The District has prepared their own grouping based on the four focus areas created by the District's Budget office and will differ from this report's illustration.

Testing Overview

Significant programs

Grab & Go Program – This program was implemented by the Superintendent under an Emergency Declaration approved by the Board of Education on March 10, 2020. This declaration authorized the Superintendent to take any and all actions necessary to ensure the continuation of public education, and the health and safety of the students and staff at the District Sites. According to the District’s website, the purpose of the Grab & Go Program was to ensure that students continued to receive meals during which time school sites were closed. Our CRF sample contained stipends that were paid to District employees for working at meal distribution sites, which is an eligible use of program funds. The USDA provides the food for the District’s nutrition program and allowed states to approve waivers that would provide flexibility in the provision of meals at the local school district level. Waivers adopted by the California Department of Education included the following:

- Serving meals outside of standard meal times, including lunch and breakfast programs
- Allowing non-congregate feeding, such as serving meals outside of the standard group setting
- Allows parents/guardians to pick up meals without the student present
- Allows service of after school snacks and meals outside of structured environment and without an educational or enrichment purpose

Districts across the country used these waivers to distribute pre-packaged meals to students in need at designated sites.

Summer Enrichment Program – This program provided additional educational opportunities to students over the summer months. Program guidelines and budgets were developed by the LAUSD Division of Instruction, which provides the authorization and rate schedule for payment of teachers working in this program.

Significant contracts

Protiviti Government Services, Inc – The District contracted with Protiviti for information technology consulting services to assist with remote learning for District students. This vendor was available through the California Multiple Award Schedule (CMAS) process, which is administered by the California Department of General Services. The total approved purchase order reviewed related to this vendor was \$5,481,000.

Maxim Healthcare Services Holdings – The District contracted with Maxim for short-term professional staffing services on an as-needed basis to District Schools and offices to augment District staff. For example, Licensed Vocational Nurses (LVNs) to administer COVID-19 tests augmented District nurses. This vendor was within the District’s bench firm list. The total approved purchase order reviewed related to this vendor was \$1,671,925.

Summerbio LLC – The District contracted with Summerbio LLC for the end-to-end COVID-19 test system process. The services described in the statement of work included but was not limited to: collection kits for sample collection, mobile application for transmitting sample collection information, provision of a server to receive subject and sample data, provision of remote training to sample collection team, and report test results with required demographics to state and local agencies. The total approved purchase order reviewed related to this vendor was \$3,720,000; and the total contract price for Summerbio LLC services throughout the life of the contract was estimated to be approximately \$51 million per the agreement. Dependent on the cumulative numbers of test kits purchased, the price per test result ranged from \$10 - \$20. This vendor contract was approved in accordance with District policies and the District’s Emergency Declaration dated March 10, 2020. The declaration authorized “the Superintendent to enter into any and all contracts necessary, without advertising or inviting bids, and for any dollar amount necessary to respond to emergency conditions at the District Sites, including, but not limited to: the relocation of students and staff; continued instruction of students, maintenance of food supplies, instructional materials, operational support supplies, equipment in support of virtual learning, daily student transportation; and provision of additional personnel as nurses...”

Conclusions

Objective I:

Per review of the funding sources available, the District obtained appropriate available funds for expenditures related to COVID-19 during the period of performance reviewed. School districts in general relied heavily upon the ESSER program, which was granted to state education agencies by the U.S. Department of Education and then sub-granted to local school districts. The District also received substantial amounts of CRF, which was generally allocated to states and local governments.

Based on the summary of funding sources, the District obtained other funding from both state and federal programs. The FEMA Public Assistance Program was not pursued by the District as of the date of the review. This is not unexpected due to the nature of the funding, given that FEMA is intended to be a funder of last resort. All other funding sources should be exhausted prior to claiming unreimbursed costs from FEMA.

The federal government passed the American Rescue Plan Act (ARPA) on March 11, 2021. Local allocations and eligible costs will follow similar requirements compared to past distributions under the Elementary and Secondary School Emergency Relief Fund. In addition, there is \$800 million earmarked for identifying homeless children and youth and to provide them with COVID-related wrap-around services that are sufficient for them to attend and participate fully in school activities. We recommend the District review this Act along with other state and federal funding opportunities to ensure the District obtains the appropriate level of funding to assist students and families within the District in combatting the lasting effects of the COVID-19 pandemic.

Objective II:

Based on the sample of CRF and ESSER expenditures reviewed, expenditures incurred by the District were allowable and were charged in accordance with the requirements of the applicable funding sources with the following exceptions:

- Supporting documentation could not be obtained from storage in a timely manner for 7 total transactions (ESSER – 5 and CRF – 2).
- The supporting documentation for 2 transactions (ESSER – 1, CRF – 1) did not reconcile to the expenditure recorded in the general ledger..

In addition, the contracts selected for review were either competitively bid or met the exception requirements available under the Uniform Guidance.

The exceptions noted did not have a significant effect on our assessment of the District's overall compliance. It should also be noted that the District has been subject to external and grantor audits in relation to CARES Act funding with no significant issues reported.

Objective III:

Based on the contracts and expenditures tested, the District was not subject to price gouging by its vendors or contractors for goods and services.

We focused this part of the review on products that were purchased by the District and commonly purchased by other entities responding to COVID-19. In comparing prices for similar items purchased by the District to other entities, there were no significant outliers that indicated that price gouging had occurred.

Review Team

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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.

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