



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

**Special Review of
The City of Los Angeles Invoice No. 21-01
2021 Campaign Costs**

OA 22-1313

October 18, 2021



Los Angeles Unified School District
Office of the Inspector General

Kelly Gonez, President
Dr. George J. McKenna III
Mónica García
Scott M. Schmerelson
Nick Melvoin
Jackie Goldberg
Tanya Ortiz Franklin
Members of the Board

Megan K. Reilly
Interim Superintendent of Schools

Salvatore Randazzo
Interim Inspector General

October 18, 2021

Ms. Josie Alejo, Director
Treasury and Capital Fund Compliance
Los Angeles Unified School District
333 S. Beaudry Avenue, 27th Floor
Los Angeles, CA 90017

RE: Special Review of the City of Los Angeles Invoice No. 21-01: 2021 Campaign Costs

Dear Ms. Alejo,

Attached is our report on the Special Review of the City of Los Angeles (City) Invoice No. 21-01: 2021 Campaign Costs for the fiscal year 2020-2021.

The objective of the review was to determine the reasonableness of the City's billing to the Los Angeles Unified School District (LAUSD) for election expenses associated with the campaign finance work completed by the City's Ethics Commission for LAUSD for fiscal year 2020 – 2021 in the amount of \$536,365.53.

Our review determined that the invoiced amount as stated in the invoice was reasonable.

We appreciate your continued support of our audit services.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

Salvatore Randazzo

Salvatore Randazzo
Interim Inspector General

C: Timothy Rosnick, Deputy Controller

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EXECUTIVE SUMMARY

We have conducted a special review of the City of Los Angeles (City) Invoice No. 21-01: 2021 for Campaign Costs to the Los Angeles Unified School District (LAUSD) in the amount of \$536,365.53. The objective of the review was to determine the reasonableness of the City's billing to LAUSD for election expenses associated with the campaign finance work completed by the City's Ethics Commission for LAUSD for fiscal year 2020-2021.

Based on our review, the City's invoice to LAUSD is reasonable. We verified that the documents (such as the working papers, CAP 43 Special Rates and the payroll data) adequately supported the billed expenses and recommended that LAUSD release the payment of \$536,365.53 to the City's Ethics Commission.

INTRODUCTION

Elections involving the LAUSD occur for LAUSD Board Members every other year (usually in an odd year), or when a ballot proposition is proposed that affects LAUSD (i.e., bond measure and parcel tax).

The City and LAUSD entered into a Memorandum of Agreement (Agreement) for Proration of Election Costs on May 30, 2019, commencing July 1, 2019, and continues in force unless terminated by the City or LAUSD.¹ The purpose of the Agreement was to:

1. Provide for the City to hold Primary Nominating and General Municipal Elections, and Special Elections to fill vacancies as the need arises, for the election of City officers and members of the LAUSD Board of Education.
2. Set forth the methods and procedures for prorating costs incurred because of Primary Nominating, General Municipal, and Special Elections that are to be shared by each party.
3. Establish contribution limits and other campaign requirements for candidates and others who participate in LAUSD elections.
4. Require the Los Angeles City Ethics Commission to administer and enforce the contribution limits and campaign requirements; and
5. Conduct candidate filing and petition verification for LAUSD.

LAUSD received Invoice No. 21-01 from the City for the amount of \$536,365.53 for election expenses associated with the campaign finance work completed by the City's Ethics Commission for LAUSD for fiscal year 2020-2021. At the request of the LAUSD Director of Treasury and Capital Fund Compliance, we performed a special review of the costs detailed in the invoice.

¹ Memorandum of Agreement for Election Costs Billing, page 3.
City of Los Angeles Invoice No. 21-01

RESULTS OF REVIEW

We reviewed the City's invoice No. 21-01, the working papers prepared by the City's Ethics Commission and the Ethics Commission's payroll data for costs associated with the campaign finance work it completed for LAUSD for fiscal year 2020-2021 and found them to be reasonable.

The Memorandum of Agreement for Proration of Election Costs agreed upon by and between the City and LAUSD stated that the campaign costs to be paid by LAUSD include salary expenses and operating expenses as follows:

1. **Salary Expenses:** salary costs consist of the annual full-time salaries plus a fringe benefit, Central Services and Department Administration and Support rate using the City's Indirect Cost Rates-CAP Rates, determined by the Controller's Office for all Ethics Commission employees (permanent and temporary) who provide campaign services related to the District elections, prorated based on the number of hours spent providing those services during the fiscal year. The position titles of such Ethics Commission employees, along with their respective hourly reimbursement rates, shall be attached to the invoice. Timesheets or the electronic equivalent that show time spent engaging in the LAUSD campaign services shall constitute satisfactory evidence of hours worked.

2. **Operating Expenses:** operating expenses consist of the direct costs of supplies, publications, training materials, equipment, and professional services incurred during the fiscal year to provide campaign services for LAUSD elections.² Professional services include services provided by interpreters, court reporters, and hearing officers.

The Memorandum of Agreement also provided that campaign costs shall be accumulated by the City and accounted for in accordance with generally accepted accounting standards and procedures. These campaign costs may accrue in election and non-election years. In addition, the billing invoice presented to LAUSD shall be in a form acceptable to LAUSD, subject to approval of their authorized representatives. With any billing provided by the City, the City upon request shall furnish LAUSD with appropriate accounting working papers used to support the City's calculations and cost proration. On or about August 1 of every year, the City shall submit an invoice to the Board of Education, requesting reimbursement for all costs reasonably incurred during the previous year because of state and local campaign requirements administered and enforced by the Ethics Commission. LAUSD may audit any billing.³

The City billed LAUSD \$536,365.53 for election expenses associated with the campaign finance work completed by the City's Ethics Commission for LAUSD for fiscal year 2020-2021. The summary of the campaign costs are as follows:

Campaign Costs for Fiscal Year 2020-2021	
Salaries	\$ 535,908.71
Operating Expenses	456.82
Total	\$ 536,365.53

To determine the reasonableness of the billed amount, we performed the following:

² Ibid, pages 6-7.

³ Ibid, page 6.

1. Agreed the billed amount to City's supporting working papers.
2. Verified the mathematical accuracy of the billed amount which included salaries (direct and indirect costs for each employee) and operating expenses associated with work performed for LAUSD.
3. Validated the number of hours billed by each employee and the employee's reimbursement rate to payroll data provided by the Ethics Commission from the City's time reporting and payroll application, PaySr.
4. Recalculated indirect costs by multiplying direct costs by the CAP rate for the Ethics Commission.
5. Agreed the CAP rate utilized for indirect costs to the City's CAP 43 Special Rates detailing the indirect cost rate for the Ethics Commission.

Based on our review, the documents (such as the working papers, CAP 43 Special Rates and the payroll data) adequately supported the billed expenses.

Recommendation

We recommend LAUSD release the payment of \$536,365.53 to the City's Ethics Commission.

REVIEW TEAM

This review was conducted by the Office of the Inspector General's Audit Unit team:

Katharine Monishi, Audit Manager
Armando Ng, Principal Auditor

SCOPE AND OBJECTIVES, METHODOLOGY, AND PRIOR REVIEW REPORT

SCOPE AND OBJECTIVES

The objective of the review was to determine the reasonableness of the City of Los Angeles (City)'s billing to the Los Angeles Unified School District (LAUSD) for election expenses associated with the campaign finance work completed by the City's Ethics Commission for LAUSD for fiscal year 2020-2021.

The summary of the campaign costs billed under the City's Invoice No. 21-01 are as follows:

Campaign Costs for Fiscal Year 2020-2021	
Salaries	\$ 535,908.71
Operating Expenses	456.82
Total	\$ 536,365.53

Our review was conducted in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants.

We conducted the review from September 21, 2021 to September 30, 2021.

METHODOLOGY

To accomplish our review objectives, we (i) reviewed the Memorandum of Agreement pertaining to the campaign costs related to the Primary Nominating, General Municipal, and Special Elections for the City officers and LAUSD Board of Education members held pursuant to the Charter of the City of Los Angeles, (ii) examined supporting documentation such as worksheets and reports detailing campaign costs, employee salary (direct and indirect cost), (iii) tested the mathematical accuracy of billed amounts, (iv) validated billed salaries to the City's payroll data, (v) validated the indirect cost rate to the City's CAP 43 Special Rates, and (v) inquired with the City's Ethics Commission personnel.

PRIOR REVIEW REPORT

On January 22, 2021, the OIG issued Report Number OA 21-1267, review of Invoice No. 20-02 from the City of Los Angeles for the March 3, 2020 Primary Nominating Election and the November 3, 2020 General Municipal Election in the amount of \$914,669.90 and \$348,483.62, respectively. Our review determined that the invoiced amounts as stated in the invoice were reasonable and payment should be released accordingly.

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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
333 S. Beaudry Avenue, 12th Floor
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