

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

**Performance Audit of  
Utility Accounts**

**OA 22-1412  
September 14, 2023**

**Sue Stengel  
Inspector General**





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

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September 14, 2023

India Griffin  
Director of Facilities Maintenance & Operations  
Los Angeles Unified School District  
333 S. Beaudry Ave., 22nd Floor  
Los Angeles, CA 90017

**Alberto M. Carvalho**  
*Superintendent*

**Sue Stengel**  
*Inspector General*

RE: Performance Audit of Utility Accounts

Dear Ms. Griffin:

This is the final Performance Audit report of Utility Accounts.

The objective of the audit was to determine whether (i) the District's Energy Unit was effective in identifying potential overbilling of District-owned or leased properties by the Los Angeles Department of Water and Power (DWP) and (ii) the District's Sustainability Initiatives Unit was effective in identifying and capturing projects that were eligible for DWP's energy rebate incentives and ensured that the Information Technology Services monthly exception reports were promptly resolved with DWP.

We appreciate your continued support of our services.

Sincerely,

***Austin Onwualu***

Austin E. Onwualu, CPA, CIG  
Deputy Inspector General, Audits

Sue Stengel, Esq.  
Inspector General

Attachment

C: Christos Chrysiliou  
Mark Cho

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## **EXECUTIVE SUMMARY**

The Office of the Inspector General (OIG) conducted an audit of the Los Angeles Unified School District's (District) Maintenance and Operations (M&O) Energy Management Unit (Energy Unit). The objective of the audit was to determine whether (i) the District's Energy Unit was effective in identifying potential overbilling of District-owned or leased properties by the Los Angeles Department of Water and Power (DWP) and (ii) the District's Sustainability Initiatives Unit (SIU) was effective in identifying and capturing projects that were eligible for DWP's energy rebate incentives and ensured that the Information Technology Services (ITS) monthly exception reports were promptly resolved with DWP. Our scope for this audit was July 1, 2020, through June 30, 2021.

Based on our audit, the OIG determined that the Energy Unit was not fully effective in identifying potential overbilling of District-owned or leased properties by DWP. We also determined that the SIU effectively identified and captured projects eligible for DWP's energy rebate incentives, however, monthly exception reports were not promptly reconciled. Some of the observations were as follows:

1. The Energy Unit completed the applications for various eligible energy projects and calculated the expected savings. Nevertheless, monitoring the related receipt of incentive and rebate checks was limited and needed improvement.
2. Monthly exception reports were not generated to identify and address billing errors due to system issues. This limited the Energy Unit's ability to correctly identify errors from meter misreading, system errors, and other DWP billing issues.
3. M&O did not know or follow up on the reasons for various billing corrections, limiting its ability to address some of the underlying issues and minimize corrections in subsequent months.

We provided the Energy Unit with seven recommendations to further enhance the operational efficiency of the current system. The report's Results of Audit section provides details of our findings and recommendations.

## **INTRODUCTION**

The District's Energy Unit manages the District's utility accounts, consisting of several utility companies, including DWP. The Energy Unit's mission is to reduce energy consumption and utility costs at all District sites by implementing appropriate supply and demand management programs designed to enhance the academic and working environment. The Energy Unit serves an important function as the primary department responsible for ensuring compliance with the terms and conditions of utility contracts and is responsible for the oversight relating to invoices, rate changes, discounts, reconciliations, incentive/rebate applications, and incentive/rebate checks from DWP. The Energy Unit manages the District's utility accounts (electricity, gas, water, and sewer), focusing on efficiency and cost avoidance.

The Energy Unit’s responsibilities include but are not limited to:

- Procuring energy service contracts and energy supply agreements.
- Managing energy efficiency and conservation programs and projects.
- Processing utility bills and reviewing and reconciling exceptions.
- Supporting modernization and new construction projects with the facilitation of utility services as needed.

The District spent approximately \$97 million from July 1, 2020, through June 30, 2021 on utility expenses with the DWP, including electricity, water, and sewer, as shown in the following table:

**Table 1**  
Total Amount Paid to DWP  
for the Period July 1, 2020, to June 30, 2021  
Source: Maintenance and Operations, Energy Unit

Service Month	Meter Usage*	Monthly Utility Expenses
July 2020	32,651,983.82	\$10,094,351.81
August 2020	36,830,609.81	\$10,441,791.08
September 2020	43,103,034.00	\$11,376,667.18
October 2020	34,942,534.50	\$9,004,308.73
November 2020	27,245,238.51	\$7,131,010.63
December 2020	20,206,481.40	\$5,359,136.15
January 2021	21,144,462.14	\$5,862,563.37
February 2021	19,685,817.74	\$5,507,043.46
March 2021	27,428,988.20	\$6,918,435.57
April 2021	31,478,925.00	\$7,760,796.62
May 2021	33,202,312.00	\$8,270,543.30
June 2021	34,282,795.00	\$9,271,640.51
<b>TOTAL</b>		<b>\$96,968,288.19</b>

\* The meter readings track electricity and water usage. However, the sewer cost is applied based on water meter readings by the Bureau of Sanitation. All the billings are reflected in DWP monthly invoices.

DWP bills the district monthly for energy usage via PDF database Flat Files.<sup>1</sup> The Senior Energy Specialist uses Visual Basic to convert the files to Microsoft Access before uploading them to SAP<sup>2</sup> to enable Accounts Payable to make a payment request. Money is transferred to DWP when the necessary payment approvals are obtained. The Energy Unit uses the energy accounting software UMS<sup>3</sup> (Utility Management Software) to review the monthly invoices and identify abnormal rates or invoice amounts. There were approximately 1,500 line items for electricity and 3,500 for Water that DWP invoiced the District monthly. The invoices show the account numbers, usage information, and line-item costs.

<sup>1</sup> A flat file is a collection of data stored in a two-dimensional database in which similar yet discrete strings of information are stored as records in a table. The columns of the table represent one dimension of the database, while each row is a separate record.

<sup>2</sup> SAP is one of the world’s leading producers of software for the management of business processes, developing solutions that facilitate effective data processing and information flow across organizations. The company was initially called System Analysis Program Development (Systemanalyse Programmentwicklung), later abbreviated to SAP.

<sup>3</sup> UMS (Utility Management Software) is the software used to check for billing anomalies.

### Energy Sustainability Initiation Projects:

Utility companies, including the DWP, offer various incentives and rebates to help reduce wasteful and unnecessary energy consumption in newly constructed and existing buildings. The SIU oversees the *Savings By Design* and *Zero By Design* programs.<sup>4</sup>

To be eligible for these incentives, a project must exceed Title 24 – Building Energy Efficiency Standards<sup>5</sup> or Industry standards by a minimum of 10%. There are two paths to meet the requirements: express and whole building performance. The express path is prescriptive and is recommended for simple/small projects, while the whole building performance path requires energy modeling. The following are key process steps taken by M&O and DWP regarding applying for, reviewing, and approving incentives:

- The M&O project team applies for these incentives by submitting energy models and construction drawings.
- A DWP Program manager checks if the application is complete and then hands it to their Architectural consultants to review and evaluate it.
- After DWP’s architectural consultants review and evaluate the drawings, they generate an installation report used to perform post-site verification.
- The post-site verification involves the Program Manager requesting (i) invoices for equipment that increases energy efficiency (e.g., HVAC, Lighting) and (ii) measures that cannot be verified visually (e.g., insulation, window glazing).
- Afterward, DWP performs a site inspection, whether virtual or in person, to validate what was stated in the drawing. DWP calculates the incentive based on the District’s performance after the Demand Response season.<sup>6</sup>
- DWP assesses the District's overall performance to determine the total incentive money to give back to the District.

The incentives are not based on the cost of the equipment installed but on the amount of energy saved. In addition, the incentives are intended to encourage the District to implement measures and install equipment that will save kilowatt-hours. During FY 2021, DWP did not offer any water incentive programs.

For 2020, the District received \$110,560.00 from the DWP for implementing peak load reduction measures<sup>7</sup> to reduce energy utilization.

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<sup>4</sup> Savings By Design is an incentive program that pays owners to design and build a new space that exceeds Title 24 by 10% or more. The Zero By Design program is part of the City of L.A.’s “Green New Deal 2019 Sustainable City Plan”, an initiative to ensure all new buildings in the city produce zero carbon by 2030 and that 100% of all existing buildings be net zero carbon by 2050.

<sup>5</sup> Building Energy Efficiency Standards - Title 24 | California Energy Commission. California’s energy code is designed to reduce wasteful and unnecessary energy consumption in newly constructed and existing buildings.

<sup>6</sup> Demand response is a utility-driven incentive program that compensates commercial and industrial electricity customers for reducing their consumption at times of peak demand. The season after this peak demand period is the demand response season. ([www.energy.gov/oe/demand-response](http://www.energy.gov/oe/demand-response).)

<sup>7</sup> Peak load reduction measures have significant potential for reducing energy consumption in commercial buildings. Peak Load Reduction is a process of reducing energy consumption at high demand by shifting or switching off some users.

<sup>8</sup> Umbrella accounts are combined billings of electricity, water, and sewage.

## **DWP Summary Billing Process**

DWP utility account services fall within one of three categories:

1. Electricity
2. Water
3. Sewer Services

The District is billed on umbrella accounts<sup>8</sup> comprising electricity, water, and sewage based on usage, prompt bill payment, billing dispute resolution, and consumption. This billing method helps the DWP and the District manage utility account billings and promptly address related issues.

DWP uses summary invoice billing that is unique to the District. This type of billing simplifies the process by adding the water and electricity usage (based on meter readings) and reflecting the total use under one account assigned to the specific school.

DWP collects all the meter readings and summarizes and bills the District for the usage in a flat file. This enables the Energy Unit to take all the data associated with the bills and upload them to the District accounting system, SAP. The District's Energy Unit does not validate the bills before submission for payment via ACH (Automatic Clearing House). There are over 5,000 electric and water meters throughout the District, making it difficult to validate the actual meter readings. The District promptly pays DWP and later reviews the reasonableness of the billings by identifying any significant variations in usage from one month to another. The bills are paid within two weeks to avoid possible disconnection and service interruptions.

DWP indicated that prompt payment benefits both the District and DWP. To help the District avoid being delinquent or incurring late fees, DWP uses a summary billing process that incorporates credits or adjustments from the previous billing cycle.

## **Amounts Billed**

In FY 2020-2021, DWP billed the District \$96.99 million for energy usage, including water, under the service categories in Table 2 below. We noted that the billing amounts decreased in the months leading up to and during the COVID-19 epidemic (October 2020 through June 2021).

Some of the services listed below were charged at a standard rate,<sup>9</sup> such as lighting for outdoor areas and water for private fire services. These services show zero usage in the table below, as they do not depend on metered water/energy use.

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<sup>9</sup> The services charged at a standard rate are not dependent on metered water/energy use. These monthly charges usually remain the same throughout the year.

**Table 2**  
**Service Categories, Usage, and Amounts Paid to the DWP**  
**for the Period July 1, 2020, to June 30, 2021**  
**Source: Maintenance and Operations, Energy Unit**

<b>Service Categories</b>	<b>Total Usage*</b>	<b>Total Amount</b>
Standard Service	4,953,359.00	\$1,167,414.94
Time Of Use Service	3,016,115.00	\$716,845.62
Metered Service	125,602,646.00	\$27,717,411.96
Subtransmission Electric Metered Service	226,311,947.00	\$44,354,098.87
Subtransmission Electric - Rate A TOU** Service	0.00	\$1,288.89
Outdoor Area Lighting	0.00	\$5,072.31
Sewer Service Charge - Multi Dwell and Commercial	0.00	\$7,988,601.64
Water Schedule C - Comm, Ind, Govt and Temp Service	1,712,201.50	\$12,142,332.49
Water Schedule D - Recycled Water Service	25,739.00	\$43,138.56
Water Schedule E - Private Fire Service	0.00	\$809,299.72
Water Schedule F - Publicly-Sponsored Uses Service	581,174.61	\$3,786,744.05
Correction	0.00	-\$1,733,960.64
<b>Grand Total</b>	<b>362,203,182.12</b>	<b>\$96,998,288.41</b>

\* Electricity and water usage are tracked by the meter readings. However, the sewer cost is applied based on water meter readings by the Bureau of Sanitation.

\*\* TOU = Time Of Use service rates based on time of day and season.

### **The District's Billing Software**

The Energy Unit uses utility management software to check for billing anomalies. The software was designed to review invoices from DWP and identify any abnormalities, such as overcharges or other inappropriate charges. The M&O policy No. G-E-23<sup>10</sup> requires any exception to be identified and reflected in a monthly exception report to be reviewed and reconciled by location code, site name, amount, month, and when it was received. We noted that the exception report was not used. The Sr. Energy Specialist indicated that the software was very slow when used to check the utility bills. Any effort to run the report causes the software to crash because of the vast amount of data involved. The Energy Unit used to have different software that generated exception reports. The current software was implemented in 2012 and could handle various query functions when it was first implemented, but given the increased amount of data added as accounts and new meters were included in the monthly billings, it can no longer handle certain query functions.

Since the Energy Unit cannot identify anomalies or errors line by line due to DWP's invoices being extremely large, it relies on scanning the billings for significant variations between the months. If any invoice amount is high compared to the previous month, the Energy Unit follows up with DWP. Based on billing history and the fact that rates charged are validated against published rates, the Energy Unit relies on DWP systems because they believe that the DWP systems generally produce accurate invoice billings with minimal errors. The Energy Unit indicated that minor errors that have been identified have happened due to human error, not

<sup>10</sup> Maintenance and Operations Procedure No. G-E-23 Rev. October 10, 2001 – Energy Conservation Unit Exception Reports & Bills: Review and Reconciliation.



computer error. Those errors were corrected immediately when brought to DWP's attention. According to the Energy Unit, some of the errors were caused by the following:

- Shifted decimal points.
- Incorrect meter readings.
- Equipment malfunction.
- Incorrect commercial water and electric rate adjustment factors.

We noted that the Energy Unit rarely identified errors in the monthly invoices because of the volume and the software's inability to scan through the files and generate questionable exceptions. When the Energy Unit identifies errors, they send them to the DWP account representative, and DWP will correct them if they warrant corrections.

## **RESULTS OF AUDIT**

**Objective: To determine whether the District's Energy Management Unit was effective in identifying potential overbilling by DWP and whether the Sustainability Unit was effective in identifying projects eligible for DWP's energy rebates/incentives.**

The OIG determined that the Energy Unit was generally effective in processing the monthly billings from DWP and that the Sustainability Unit was effective in identifying projects eligible for energy rebates/incentives.

We also determined that the Energy Unit was not entirely effective in identifying potential overbilling or tracking energy rebates/incentives. Our audit identified areas of improvement, including the need to establish policies and procedures.

### **Billing Exception Report**

The Energy Unit did not fully comply with the responsibility of reconciling the District's Utility accounts with the DWP and identifying potential overbilling.

#### **Criteria**

M&O policy No. G-E-23 states that the Energy Conservation Unit is responsible for reconciling the District's utility bills. The policy states that ITS prepares a monthly exception report in accordance with guidelines provided by the Energy Conservation Unit and that this report is designed to identify potential overbillings or other errors in bills submitted by the various utility companies serving the District. The policy further requires any exception to be reviewed and reconciled.

#### **Condition**

We determined that the Energy Unit did not use a monthly exception report to help identify potential overbillings or other errors. Instead, the unit relies on simple trend analysis for any significant differences in cost from month to month and visual identification of variances. We interviewed the Sr. Energy Specialist and noted the following:

- The District pays the billed amount to avoid service interruption and to comply with the summary billing terms and conditions. Thousands of accounts may be affected if a single account is not paid.
- The Energy Unit does not know if the invoices billed every month are correct. The unit relies on what the DWP bills the District monthly and expects the DWP to police themselves to identify and report errors. The unit's review consists of reviewing the published rates (Commercial Water and Electric Rate Adjustment Factors) to ensure that the rates in the invoices are accurate.
- The Energy Unit uses the energy account software to check the billed invoices and query billing anomalies from one month to another.
- The Energy Unit does not have a system in place to verify whether the meter usage numbers used by DWP to bill the District are accurate. The unit relies on DWP's meter reading and pays the bill. The staff does not go to the meter site to verify meter readings due to staff shortages.

#### Cause and Effect

The above conditions were caused partly because there were no formal policies or procedures for the Energy Unit staff regarding verifying that billings were correct, including but not limited to ascertaining whether the record of meter usage was accurate. In addition, there was no oversight process to ensure the monthly exception report was generated and reconciled. The current software system in place cannot handle the volume of data, according to Energy Unit staff. It crashes because of the vast amount of data involved when the team tries to generate an exception report. As a result, billings from DWP continue to be paid without verification. This situation increases the risk of incorrect billings and the District overpaying for utility bills.

#### Recommendation 1

M&O Management should develop formal policies and procedures for the Energy Unit that include responsibilities regarding the review of DWP billings, including verifying whether DWP's record of meter usage is accurate.

#### M&O Response

M&O agreed with the recommendation and indicated that it would develop policies and procedures for the Energy Management Unit regarding the review of DWP billings and verification of the accuracy of billing. Formal policies and procedures will be developed and implemented by Feb. 28, 2024. M&O partially agreed with the finding and stated that the Energy Management Unit has been spot-checking meter usage and reviewing utility billings for accuracy as monthly bills are processed.

#### Recommendation 2

M&O Management should look for ways to leverage existing or new technologies to help the Energy Unit more effectively review the billings, identify potential issues, and select specific anomalies that may need further follow-up. This may include upgrading the current software or considering the benefits of implementing a new software system.

### M&O Response

M&O agreed with the finding and the recommendation and indicated that new software has been acquired, that the transition will begin in September 2023, and that full implementation will be completed by December 20, 2023. M&O also stated that the Energy Management Unit will be provided with training and resources for appropriate implementation of the new software.

### Recommendation 3

The Energy Unit should perform follow-up activities, such as validating the meter usage and reporting significant anomalies to DWP for research and explanation once reliable monthly exception reports are available to identify potential over-billings or other errors in bills submitted by DWP.

### M&O Response

M&O partially agreed with the finding and the recommendation. M&O Management clarified that the Energy Management Unit currently spot-checks meter usage and reports significant anomalies. The EMU will begin using Brightly's Energy Manager software to obtain reliable exception reports and account statistics, identify potential over-billings, and research significant billing anomalies. When abnormal meter reads or anomalies are identified, M&O will coordinate with DWP to obtain explanations. Full implementation of the software will be by December 20, 2023.

### **Incentives and Rebates**

DWP had multiple Memorandums Of Understanding (MOU) with the District to encourage efficient energy utilization. Considering that the District has many aging buildings and equipment that are not energy efficient, it is beneficial for both parties to modernize and install newer equipment to achieve greater energy efficiency.

### Criteria

M&O Procedure No. G-E-22 – Energy Rebates states that the rebate process includes, but is not limited to tracking rebates and receivables, as well as depositing rebate checks and preparing status reports. The Energy Sustainability Initiative Unit monitors and takes applications for eligible energy projects. Eligible projects may be new construction or major renovation/remodeling. To initiate an incentive, DWP typically emails the Energy Unit to participate in the energy reduction program. The Energy Unit applies based on what they intend to install and calculates the expected savings in kilowatt-hours. DWP performs a pre-inspection to determine the baseline of existing equipment and how efficient the intended installation will be.

DWP also performs a post-inspection to validate what was installed to ensure the work was done as reflected in the application. After post-inspection, DWP issues checks to whoever is indicated in the application to receive the checks. The incentive checks paid are not based on the cost of the equipment installed but on the estimated amount of energy that will be saved. DWP issues incentive checks based on the amount of energy that will be saved.

Condition

The SIU took applications for eligible energy projects. Also, the Energy Unit completed the application for various eligible energy projects and calculated the expected savings. However, the Energy Unit did not monitor the receipt of incentive and rebate checks.

The District received \$3.02 million in incentive and rebate checks from DWP from July 1, 2020, through June 30, 2021. Due to COVID, the Energy Unit indicated that DWP started to send incentive checks directly to Accounts Receivable instead of the Sr. Energy Specialist in the Energy Unit because employees were not going to the office and working from home. At the beginning of the audit, the Energy Unit indicated that several incentive/rebate checks were outstanding.

After the OIG contacted DWP about the “missing” incentive/rebate checks, we found that unbeknownst to the Energy Unit, DWP had indeed issued the checks and that they had been sent to either M&O Finance, Energy Unit or to the Cash Receipt Unit. As a result, the Energy Unit could not immediately apply the incentive/rebate checks to the correct projects. Once the Finance Unit received the checks, it verified with the Energy Unit which accounts the check would be credited to. The amounts received in incentive payments from DWP during FY 2021 totaled \$3,021,114.

Of this amount, the Energy Unit could not reconcile 12 checks totaling \$514,680.39 to the appropriate projects, as shown below.

Account Street Address	Order Number	Peak kwh	Kilowatts Saved/Yr	Amount Unreconciled by M&O
24300 S WESTERN AVE	1-15767957209	151.271	340,019	\$71,383.73
24300 S WESTERN AVE	1-16000812732	24.158	54,452	\$11,818.06
24300 S WESTERN AVE	1-16047778005	161.000	847,154	\$127,073.12
333 S BEAUDRY AVE	1-16342310666	1.280	11,163	\$1,674.45
820 N AVENUE 54	1-15737574581	137.326	298,945	\$64,209.49
2411 S MARVIN AVE	1-6570640937	4.490	32,494	\$9,748.33
24300 S WESTERN AVE	1-15775250516	166.758	382,720	\$79,877.95
24300 S WESTERN AVE	1-16148928191	121.158	322,848	\$65,815.12
15530 HESBY ST	1-16128392430	24.463	49,938	\$11,048.67
15530 HESBY ST	1-16130756316	24.427	34,454	\$7,893.03
15530 HESBY ST	1-16180065776	31.616	39,991	\$9,084.74
2510 E 6TH ST	1-15834106309	101.190	265,361	\$55,053.70
				\$514,680.39

Cause and Effect

This condition occurred because no formal policies or procedures required the Energy Unit staff to track and reconcile incentive and rebate checks the District received. In addition, there was no designated staff to monitor the receipt of incentive and rebate checks and to follow up on any

missing checks to determine whether a different department received them. As a result, the lack of oversight and tracking of outstanding incentive refunds resulted in some incentive checks being received and deposited but not reconciled. This situation increases the risk of misappropriating funds and incentive checks being sent to the wrong department while the Energy Unit believed DWP had yet to issue the checks.

Recommendation 4

The Energy Unit should establish a policy regarding tracking energy incentives with DWP and ensuring that any checks received are reconciled to the corresponding projects.

M&O Response

M&O agreed with the finding and the recommendation. The Energy Management Unit will establish a policy/procedure regarding tracking energy incentives and ensuring that any checks received are reconciled to the corresponding projects. Policies and procedures will be developed by Feb. 28, 2024.

Recommendation 5

A dedicated staff should monitor and track eligible energy incentives and ensure that checks from DWP are routed through the Energy Unit.

M&O Response

M&O partially agrees with the finding and the recommendation. A dedicated Energy Unit staff will continue to coordinate with the utility agencies to monitor and track eligible energy incentives and ensure that checks are routed through the Energy Unit. An additional staff member will be trained and assigned by Feb. 28, 2024.

**Billing Reviews and Corrections**

Criteria

M&O policy No. G-E-23 requires any exception to be identified and reflected in a monthly exception report to be reviewed and reconciled. The reconciliation of this report would help identify potential overbillings or other errors in submitted invoices, request for credit from DWP, and ensure that the district account is properly credited in subsequent billings.

Condition

The Energy Unit did not know the reasons/causes for various billing corrections. Based on the billed invoices from July 1, 2020, through June 30, 2021, a total of \$1,733,960.64 billing corrections were made to the invoices sent by DWP to the Energy Unit. The Sr. Energy Specialist provided the following examples as possible causes for the corrections:

- The meter was not accessible by DWP, and the gate to the meter area was locked.
- Rate changes may not be timely reflected in the billing system.
- Human error and adjustment of prior months' billing differences not calculated as of the date the meter was read, causing timing differences for the period billing.

### Cause

The Energy Unit relies on DWP to identify billing errors or updates and make the corrections in the subsequent bill. Also, the Energy Unit does not know why those errors occurred and does not check DWP's correction criteria/calculations or verify the meter usage numbers used for a particular account. The Energy Unit indicated that some meter reads were “underestimated reads” due to some physical infrastructure (like construction or a locked gate) blocking DWP’s access, and estimated energy usage was used for those particular months. The Energy Unit added that DWP goes back and gets the correct reading when access issues are resolved.

### Effect

As a result, some of the root causes for the errors may not be addressed in an effective or timely manner, which may result in additional corrections in subsequent months.

### Recommendation 6

The Energy Unit should establish a written policy to provide and maintain adequate oversight of monthly billing anomalies.

### M&O Response

M&O agreed with the finding and the recommendation and indicated that it will complete drafting the policies and procedures to ensure adequate oversight of monthly billing anomalies by February 28, 2024. The Energy Management Unit will request an additional Energy Project Manager position to assist with writing these policies and procedures.

### Recommendation 7

The Energy Unit should identify significant corrections, ask DWP for the reasons, and evaluate the reasonableness of those explanations. The Unit should then resolve any issues under its control, including ensuring malfunctioning meters are repaired or replaced.

### M&O Response

M&O agreed with the finding and the recommendation. The Energy Management Unit will identify significant corrections, ask DWP for the reasons, evaluate the reasonableness of those explanations, and resolve any issues. M&O indicated that this will require additional staff to track and monitor the repair and replacement of malfunctioning meters. These positions will be requested by Feb. 28, 2024.

## **AUDIT TEAM**

This audit was conducted by the Office of the Inspector General's Audit Unit Team:

Maria Thomas, Audit Manager  
Silas Awujo, Principal Auditor

# APPENDIX 1

## **SCOPE AND OBJECTIVE**

The objective of the audit was to determine whether (i) the District's Energy Unit was effective in identifying potential overbilling by DWP and (ii) the District's Sustainability Initiatives Unit was effective in identifying and capturing projects that were eligible for DWP's energy rebate incentives. Our scope for this audit was DWP invoice billings from July 1, 2020, through June 30, 2021

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period from July 1, 2020, through July 31, 2021.

## **METHODOLOGY**

To accomplish our audit objectives, we reviewed Maintenance and Operations policies regarding Utility invoice billings; reviewed monthly invoices from DWP; reviewed Maintenance and Operations (M&O) Sustainability Initiative Unit process of incentive applications; interviewed DWP representatives and obtained documentation to support incentive checks issued to the District for the period of our audit. We conducted interviews with key M&O personnel and Facilities Financial Operations. We examined several actual incentive checks received from DWP.

## **EVALUATION OF INTERNAL CONTROLS**

In accordance with Government Auditing Standards, we obtained an understanding of internal control that is significant within the context of the audit objectives. We assessed whether internal controls were properly designed and implemented. For those controls that were deemed significant, we obtained sufficient, appropriate evidence to support our assessment of the effectiveness of those controls.

We are required to report deficiencies in internal controls that are significant within the context of the audit objectives. A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (i) impairments of effectiveness or efficiency of operations, (ii) misstatements in financial or performance information; or (iii) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. Our audit found some deficiencies in internal controls, including the lack of policies and procedures. More specifically, certain control activities and processes could be strengthened and improved, details of which are provided in this report's Results of Audit section.



**Verbatim Response to the Draft Report**

**From**

**Maintenance and Operations**



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
*Facilities Services Division*

September 6, 2023

Austin E. Onwualu, CPA, CIG  
Deputy Inspector General, Audits  
Los Angeles Unified School District  
333 South Beaudry Avenue, 12<sup>th</sup> Floor Los Angeles, CA 90017

RE: Performance Audit Report of Utility Accounts

Dear Mr. Onwualu:

Attached please find our responses to the recommendations from the Performance Audit of Utility Accounts Report.

Sincerely,

India Griffin, Director  
Facilities Maintenance and Operations

Cc: Christos Chrysiliou, Director of Design and A/E Tech Support

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Los Angeles Unified School District - Facilities Services Division  
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## **Responses to the Draft Report**

# Performance Audit of Utility Accounts

For each finding cited in the report, please state:

- i. (i) Your view concerning the finding and the recommendation.
- ii. (ii) The action you plan to take.
- iii. (iii) The target date to implement those actions.

## *Recommendation 1*

M&O Management should develop formal policies and procedures for the Energy Unit that include responsibilities regarding the review of DWP billings, including verifying whether DWP's record of meter usage is accurate.

RESPONSE: M&O agrees with the recommendation and partially agrees with the finding as the Energy Management Unit has been spot-checking meter usage and has been reviewing utility billings for accuracy as monthly bills are processed. M&O Management will develop policies and procedures for the Energy Management Unit regarding the review of DWP billings and verification of accuracy of billing. Formal policies and procedures will be developed and implemented by Feb. 28, 2024.

## *Recommendation 2*

M&O Management should look for ways to leverage existing or new technologies to help the Energy Unit more effectively review the billings, identify potential issues, and select specific anomalies that may need further follow-up. This may include upgrading the current software or considering the benefits of implementing a new software system.

RESPONSE: M&O agrees with the finding and the recommendation. M&O Management is in the process of transitioning to new software to assist the Energy Management Unit to continue to review the billings, identify potential issues, and review specific anomalies that may need further follow-up more effectively. Brightly's Energy Manager software has been acquired by M&O and the transition to Energy Manager will occur beginning in September 2023. Training and resources will be provided to the Energy Management Unit for appropriate implementation of the new software. Full implementation of software will be by December 20, 2023.

## *Recommendation 3*

The Energy Unit should perform follow-up activities, such as validating the meter usage and reporting significant anomalies to DWP for research and explanation once reliable monthly exception reports are available to identify potential over-billings or other errors in bills submitted by DWP.

RESPONSE: M&O partially agrees with the finding and the recommendation. The Energy Management Unit currently spot-checks meter usage and reports significant anomalies. The EMU will begin using Brightly's Energy Manager software to research significant billing anomalies and send to DWP for explanations. The Energy Manager software technology will allow reliable exception reports, account statistics and reviews, to identify potential over-billings or other potential errors in billing statements. Full implementation of the software will be by December 20, 2023. M&O will coordinate with utility providers when abnormal meter reads are

identified.

*Recommendation 4*

The Energy Unit should establish a policy regarding tracking energy incentives with DWP and ensuring that any checks received are reconciled to the corresponding projects.

RESPONSE: M&O agrees with the finding and the recommendation. The Energy Management Unit will establish a policy/procedure regarding tracking energy incentives and ensuring that any checks received are reconciled to the corresponding projects. Policies and procedures to be developed by Feb. 28, 2024.

*Recommendation 5*

A dedicated staff should monitor and track eligible energy incentives and ensure that checks from DWP are routed through the Energy Unit.

RESPONSE: M&O partially agrees with the finding and the recommendation. A dedicated Energy Unit staff will continue to coordinate with the utility agencies to monitor and track eligible energy incentives and ensure that checks are routed through the Energy Unit. An additional staff member will be trained and assigned by Feb. 28, 2024.

*Recommendation 6*

The Energy Unit should establish a written policy to provide and maintain adequate oversight of monthly billing anomalies.

RESPONSE: M&O agrees with the finding and the recommendation. The Energy Management Unit will request an additional Energy Project Manager position to assist with writing policies and procedures to provide and maintain adequate oversight of monthly billing anomalies using the recently acquired Energy Manager software. M&O shall complete drafting these policies and procedures by Feb. 28, 2024.

*Recommendation 7*

The Energy Unit should identify significant corrections, ask DWP for the reasons, and evaluate the reasonableness of those explanations. The Unit should then resolve any issues under its control, including ensuring malfunctioning meters are repaired or replaced.

RESPONSE: M&O agrees with the finding and the recommendation. The Energy Management Unit will identify significant corrections, ask DWP for the reasons, and evaluate the reasonableness of those explanations. We will resolve any issues and coordinate with DWP to ensure any malfunctioning meters are repaired or replaced. The recommendation will require additional staff to track and monitor repair and replacement of malfunctioning meters. These positions will be requested by Feb. 28, 2024.

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#### **General Contact Information**

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