



# Office of the Inspector General's Annual Report

Audit, Business and Technology Committee

September 11, 2003

# Evolution of Office

- September 1996: Audit Committee discussed need for a fraud unit in addition to the Internal Audit Branch.
- January 1997: District staff recommended creation of a Special Audits Branch to examine allegations of fraud.
- October 1997: Audit Committee began discussions of hiring an Inspector General.

# Evolution of Office

- November 1997: Audit Committee discussed personnel changes within Internal Audit Branch and the difficulty in hiring a Director, Special Audits Branch.
- February 1998: District hired new Director, Internal Audit Branch.
- August 1998: Director removed – District retained an accounting firm to review the Internal Audit Branch and make recommendations.

# Evolution of Office

- October 1998: Accounting firm recommended that a Special Investigations Unit be integrated into the Internal Audit Branch – named the Internal Audit and Special Investigations Unit. The firm also recommended that the Unit report directly to the Board of Education.
- November 1998: Board of Education approved the accounting firm's recommendations.
- January 1999: Board of Education hired its first Director, Internal Audit and Special Investigations Unit.

# Evolution of Office

August 1999: California Governor signed legislation granting Unit subpoena authority.

February 2000: Board voted unanimously to change the name of the Unit to the Office of the Inspector General and to change the Director's title to Inspector General.

Board highlighted that in his first year's work, the Director restored integrity and professionalism to the process of audit and investigation within the District. The Board also emphasized that they wished to instill a culture of excellence and professionalism in all aspects of the District and that an Inspector General's presence enhanced this culture.

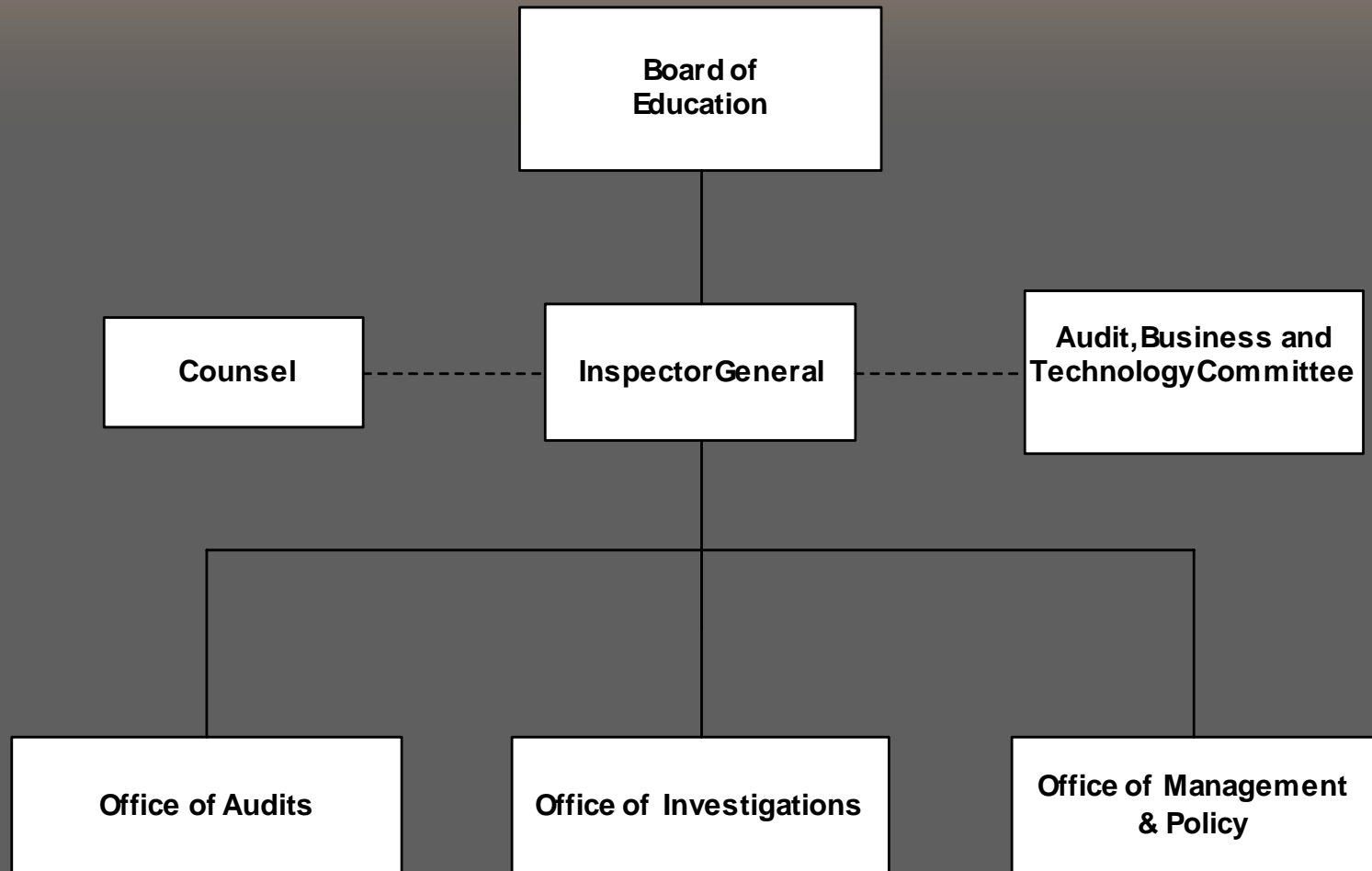
# Evolution of Office

- January 2002: Board renewed Inspector General's employment contract through January 2005.
- September 2002: California Governor signed legislation granting the Inspector General authority to conduct audits and investigations, as well as to issue subpoenas until January 2015.

# Mission

Promote integrity and credibility in the Los Angeles Unified School District by conducting audits and investigations to detect and prevent waste, fraud and abuse, and to identify opportunities for improving efficiency and effectiveness.

# Organization



# Authority and Responsibility

- o Charter
- o California Education Code
- o Government Auditing Standards
- o Standards for Professional Practice of Internal Auditing
- o Standards of the Association of Inspectors General

# Charter

- o Prepare an annual audit plan based on an entity-wide risk assessment.
- o Have full, free and unrestricted access to all LAUSD records.
- o The Superintendent or District staff have no authority to reduce the OIG's budget without an express vote of the Board of Education.

# Charter

- o The Board of Education expects and encourages the OIG to be an independent voice that expresses its views without censorship by District management.
- o District management is responsible for reporting any allegations or evidence of misconduct to the Inspector General and for providing full information to the OIG about matters in which the Office has a legitimate interest.

# Charter

- o The District's General Counsel is responsible for advising the Board of Education regarding its legal options in the pursuit of remedies against employees and contractors.
- o The LAUSD School Police is responsible for investigating alleged crimes other than white-collar crime.

# Reporting Requirements

- o Annual Risk/Control Assessment
- o Annual Work Plan
- o Quarterly Report to the Audit, Business and Technology Committee
- o Annual Report to the Board of Education
- o Report to the California State Legislature
- o Quarterly Evaluation of the Inspector General
- o Los Angeles County Civil Grand Jury
- o External Peer Review

# Budget and Staffing

	<u>1999</u>	<u>2003</u>
Staff	45	50
Budget	\$2.9m	\$6.2m (est.)

# Report Production

Issued 107 reports:

- 51 Audit Reports
- 50 Investigation Reports
- 6 Special Reviews
- 53% Audits/Special Reviews Requested
- 12 (or 11%) Facilities Services Division

# Report Production

51 Audit Reports:

- 19 School Operations
- 13 Central Office Functions
- 8 Business or Finance
- 7 Facilities
- 4 Contract Audits

# Student Body Funds

“This report includes all Funds and Account Groups of the District with the exception of the Auxiliary Services Trust Fund and the student body accounts which are not significant, either individually or collectively, in relation to District operations.”

[Comprehensive Annual Financial Report, signed by the Superintendent, Chief Operating Officer, Chief Financial Officer, and Controller]

# Report Production

50 Investigation Reports:

- 28 School Operations
- 14 Central Office Functions
- 5 Facilities Services Division
- 3 Due Diligence Reviews

# Proactive Initiatives

- o Chief of Staff Meetings
- o Teambuilding Project
- o Fraud Awareness Seminars
- o Facilities Briefings
- o Contract Policy
- o Fraud Hotline
- o Fraud Alert
- o Contract Audit Unit

# Contract Audit Unit

March 2003 – Board of Education authorized funding  
(\$15 million for a 3-year period)

Contract Audit Plan – 135 audits for 2003-2004

Completed: 17

In Process: 37

# Performance Measures

Customer Satisfaction	4.5 out of 5.0
Audit Recommendations Accepted	97%
Audit Recommendations Implemented	85%
Audit Elapsed Time	137 days
Return on Investment	\$15.4 to \$1
Workforce Qualifications	87%
Economy, Efficiency and Effectiveness	88%
Innovative Analytical Techniques	91%

# Performance Measures

Investigations Opened	56
Investigations Closed	70
Subpoenas Issued	10
Referrals	50
Declinations	4
Defendants Convicted	4
Administrative Actions	9

# Value Added Services

No Ethics Officer or Ethics Program

No Chief Facilities Executive

No Chief Information Officer

No Chief Procurement Officer

No Risk Manager

Drafted Comprehensive Ethics Code

Drafted Whistleblower Protection Policy

Drafted Debarment Policy

# Follow-Up Efforts

## 101 Audit Reports – 393 Recommendations

- o 332 (or 85%) implemented
- o 51 new target dates
- o 10 no longer applicable or not resolved

## 117 Investigation Reports

- o 78 (or 67%) administrative, civil or criminal actions taken
- o 39 pending

# External Impairments

Board Motion (August 2002)

“The Office of the Inspector include in its Quarterly Report to the Business, Finance, Audit and Technology (BFAT) Committee and its Annual Report to the Board of Education any instances where management, staff and contractors (or their representatives) have interfered with the OIG’s ability to perform its mission.”

# External Impairments

Ethics Program

Interview Request

OIG Budget

Document Request

# Office of the Inspector General

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