




City of Long Beach
Working Together to Serve

Office of Tonia Reyes Uranga
Councilmember, 7th District
Memorandum

R-14

Date: January 16, 2007

To: Honorable Mayor and Members of the City Council

From: Councilmember Tonia Reyes Uranga, Seventh District. 

Subject: **AGENDA ITEM: Consideration of Charter Amendment to Create an Office of the Inspector General at Long Beach Unified School District**

The Long Beach City Charter (Article XXII) defines the powers, duties and the election of the members of the Board of Education for the Long Beach Unified School District. Members of the public have expressed some interest in creating an Office of an Inspector General (OIG) modeled after the Los Angeles Unified School District. I would like to take this opportunity to transmit information regarding the functions and responsibilities of an Inspector General for the City Council's consideration for a possible Charter Amendment.

Recommendation: Receive information regard a possible amendment to the City Charter creating an Office of the Inspector General at the Long Beach Unified School District.

**CHARTER
OFFICE OF THE INSPECTOR GENERAL**

Purposes

The Office of the Inspector General (OIG) has two interrelated purposes:

- To audit the District's records and record-keeping systems, identify deviations from proper business practices and recommend changes to the District's system of internal controls.
- To detect and prevent fraudulent or unethical behavior by District employees or firms doing business with the District, and to recommend necessary changes to the District's policies.

Scope of Work (Office of Audits)

- Prepare an annual audit plan based on an entity-wide risk assessment that considers risks related to compliance and internal control issues and District goals
- Inform District management of identified risks so preventive actions can be taken.
- Working with District management and the District's independent auditor, review the District's mechanisms of financial controls and recommend cost-effective improvements.
- Develop appropriate procedures and training for audit staff.
- Review attendance, time reporting and financial records as necessary.
- Test whether enrollment and attendance records are correct.
- Test whether the managers of student body, imprest and cafeteria funds have followed proper procedures.
- Test whether schools (including Charter and Learn schools) have maintained adequate financial and personnel records.
- Audit the District's systems of electronic data processing (EDP).
- Perform operational reviews of District organizational units.
- Test whether BB bond funds are properly accounted for.
- Advise the Board of Education regarding effective methods of contracting, including the selection process and awarding of contracts.
- Test whether the District's records comply with grant compliance requirements.
- Advise the Board of Education regarding the appropriate level and kinds of resources needed to carry out the audit function, improve internal controls, and detect and prevent fraud.

Scope of Work (Office of Investigations)

- Develop procedures for the investigation or referral of alleged fraudulent or unethical activities.
- Conduct investigations and review investigations carried out by others, to detect and prevent waste, fraud and abuse in the District's programs and operations.
- Identify systemic issues and systemic steps that can be taken to reduce fraudulent or unethical activities.
- Manage the District's Fraud Hotline. Investigate or refer allegations made via the Fraud Hotline and via the Board Rule 133 process.

- Protect individuals who allege misconduct from retaliation to the extent allowed by law. Develop a Whistle Blower's Protection Policy for Board consideration.
- Recommend remedies in situations where apparent fraudulent or unethical behavior has been found.
- Protect the due process rights of individuals and corporate entities that are accused of wrongdoing.
- Coordinate with appropriate offices and agencies when criminal activity is suspected.

Authority of the Inspector General

The Inspector General is authorized:

- To audit and investigate any and all functions within the District as well as private entities that do business with the District.
- To have full, free and unrestricted access to all LAUSD records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data or information on audio/video/computer tape/disk, or other materials of LAUSD.
- If permitted by law, to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents as may be deemed relevant to any inquiry or investigation undertaken.
- To hire staff or employ contract services within the scope of the budget authorized by the Board of Education and within employment and public procurement requirements.
- To share information relating to possible criminal acts with appropriate law enforcement officials.

Qualifications and Term of Office of the Inspector General

The Inspector General shall have knowledge and experience in the following areas:

- Accounting and auditing
- Investigative techniques
- Criminal law, civil law, rules of evidence and expert witness matters
- Management of a professional staff

The following process shall be used to fill the Inspector General's position:

- The Personnel Commission advertises the position and screens candidates.
- The Personnel Commission presents three to five candidates to the Business, Finance, Audit and Technology ("BFAT") Committee or its successor(s).
- The BFAT Committee presents a recommended candidate to the Board of Education.

The Board of Education shall appoint the Inspector General for a three-year term. The appointment may be renewed at the Board's discretion at three-year intervals.

Relationship to the Board of Education and the BFAT Committee

The Inspector General shall report to the Board of Education. He/she shall receive oversight from the BFAT Committee. The Inspector General shall present an annual work plan for the BFAT Committee's review and approval. He/she shall apprise Committee members of audits and investigations in progress at least quarterly and seek their approvals and recommendations as appropriate. The Inspector General shall keep the Board of Education and BFAT Committee fully and currently informed concerning reports of fraud and other serious problems, abuses, and deficiencies related to the administration of programs and operations.

The Inspector General may communicate directly with members of the BFAT Committee and/or the Board President regarding any issue that requires the immediate attention by the BFAT Committee or the Board of Education, whether they are informative in nature or requiring direction or approval.

When it is appropriate to discuss matters in closed session, the Inspector General may schedule such matters for closed session discussion with the BFAT Committee or the Board of Education.

The Board of Education shall schedule time as needed to hear concerns and recommendations of the Office of the Inspector General and responses of District management.

The Inspector General shall submit an annual report to the Board of Education by July 31 of each fiscal year. The report shall summarize the activities of the office during the preceding fiscal year.

The Board of Education and the BFAT Committee shall evaluate the Inspector General's performance on an annual basis. The evaluation shall be based on the Quality Standards for Federal Offices of Inspector General as well as the goals, strategies and performance measures contained in the strategic plan for the Office of the Inspector General.

Relationship to District Management

The Board of Education expects and encourages the Office of the Inspector General to be an independent voice that expresses its views without censorship by District management. The OIG is expected to develop its own annual priorities for approval by the BFAT Committee, identify problems within LAUSD or with its vendors, and where appropriate recommend solutions. The Board recognizes that the OIG and District management may not always agree regarding the OIG's priorities, analyses, or recommendations.

While fully supporting the independence of the OIG, the Board of Education also believes that District management and the OIG are parts of a single organization with a common purpose of improving education and using the District's resources wisely. The Board expects the OIG and District management to develop and maintain a relationship that is designed to further their common purpose. The OIG and District management are expected to meet regularly, discuss priorities, share information and ideas, and seek agreement where possible so that the OIG's work can contribute most effectively to the District's primary objectives.

District management is responsible for the day-to-day management of District programs, which includes establishing and maintaining effective controls to ensure that: appropriate goals and objectives are met; resources are safeguarded; laws, regulations and policies are followed; and reliable data are obtained, maintained and fairly disclosed. District management is also responsible for establishing policies and systems of internal control that discourage fraudulent or unethical behavior.

The OIG is responsible, along with the District's external auditors, for reviewing and testing the District's internal control structure to ensure that resources are applied efficiently, economically and effectively. The OIG shall keep the Superintendent fully and currently informed concerning reports of fraud and other serious problems, abuses and deficiencies related to the administration of programs and operations.

District management is expected to communicate its agreement or disagreement with any recommendations made in OIG audits, and to track the implementation of recommendations with which it agrees. Similarly, District management is expected to track any actions it takes in response to OIG investigations. District management is responsible for reporting any allegations or evidence of misconduct to the Inspector General and for providing full information to the staff of the Office of the Inspector General about matters in which the Office has a legitimate interest. District management is expected to protect employees who contact the Inspector General and/or staff of the Office of the Inspector General from reprisal or threat of reprisal, unless the employee knowingly gave false information or gave information with willful disregard for its truth or falsity.

Role of Other Offices

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.

The LAUSD School Police and other Police agencies are responsible for investigating alleged crimes other than white-collar crime.

The LAUSD Office of Staff Relations is responsible for matters having to do with the District's labor agreements and providing advice regarding employee discipline.

The LAUSD Personnel Commission is responsible for investigating alleged violations of the classified merit system laws and rules.

The OIG will coordinate media contacts with the District's Director of Communications.

The Establishment of Offices of Inspector General of the Long Beach Unified School District

Introduction

In response to parent and teacher demands for clean government and financial accountability in their school system, the Teachers Association of Long Beach (TALB) proposes an amendment to the City of Long Beach Charter to establish an Office of Inspector General.

An Office of Inspector General would be authorized to detect, investigate and prevent fraud, waste, mismanagement and abuse of power in Long Beach Unified School District projects, programs or contracts. The OIG also has the power to report on and recommend to the Board of Education on whether a particular program, contract or transaction is financially sound, reasonable, necessary or operationally deficient. The OIG may conduct random audits and provides general oversight of department programs and large-scale construction projects.

Our goal is to prevent misconduct and abuse, expose it publicly and seek appropriate remedies to recover public monies. Above all, the Office of Inspector General's principal objectives is to promote ethics, honesty and efficiency in government and to restore and promote the public's trust in our public education system.

An Office of Inspector General would ensure that there is true transparency in public school processes, that information is made available to the taxpayer and that such information is reliable. This will ensure taxpayers that their hard earned dollars are used wisely, with a high percentage of education dollars ending up in the classroom, not wasted in advancing agendas which conflict with taxpayers' interests. An Office of Inspector General will fling open the door for financial transparency in our public schools.

The Board of Education and Superintendent of Schools

Unlike the City of Long Beach which elects both a City Council and an independently elected City Auditor to oversee the finances of the City, the Long Beach Unified School District has no such entity, nor does the Long Beach Unified School District require that its Superintendent be educated and proficient in financial management.

The Board of Education, likewise, is a part-time, elected entity (similar to the Long Beach City Council) and is dependent upon a non-elected Superintendent for information concerning the use of public monies for the educational system.

Historically, Superintendents have taken the position that Boards of Education have little authority as evidenced by the following excerpt from the American Association of School Administrators website on the "Care and Feeding of School Board Members":

*"One of the most important ways of maintaining the board-superintendent partnership is to consciously manage the human dimension of the relationship, paying close attention to the **psychological care and feeding of board members**, paying close attention to meeting their ego needs and employing strategies to build feelings of ownership and commitment among them."*

Consequently, Long Beach Unified School District (without approval of the voters) established a separate, enhanced retirement system that provided inflated benefits and a personnel leasing scheme, where by the LBUSD took 60 or more staff off payroll and then leased them back (while keeping their positions frozen), which was called: Long Beach Schools Business Management Authority (LBSMA). LBSMA was copied by the Sacramento City Unified School District and the subject of a grand jury investigation by the Sacramento County Grand Jury. LBUSD has subsequently "dissolved" LBSMA but will have to pay the state retirement system back funds for having taken these individuals out of the state retirement system.

Additionally, recent audits of the Long Beach Unified School District's financial statements issued June 30, 2006, indicate numerous "findings and questions of costs" on the following items: capital asset procedures, information systems department review, teacher credentials, self-insurance programs, capital facilities, the need to adopt a code of ethics and fraud awareness program, the transfer of bond monies into the County School Facilities Fund that are not for state approved projects, failure to meet the required routine maintenance deposit, failure to revise school wide plans to include plans for assisting preschool students in successful transition, and failure to provide accurate and current listing of all employees whose salaries are charged to one or more federal programs.

Finally, ***Williams v. California*** is a class-action suit brought in 2000 claiming that the state's poorest children are being denied equal educational opportunities. All schools in California are subject to the settlement of this litigation and the Los Angeles County Office of Education routinely conducts unannounced visits on schools in Los Angeles County to determine if the condition of school facilities is appropriate, materials and textbooks are available for each child and teachers are appropriately credentialed and prepared to teach the classes they are assigned. In the 2005-2006 Annual Report on the Long Beach Unified School

District, 16 schools were visited. Of these 16 schools, 7 were found in “good condition”; 8 were found in “fair” condition and 1 was found in “poor” condition. The taxpayers of Long Beach deserve to know what happened to Long Beach Unified School bond monies that were to be used for the repair and upgrade of schools in the District and how is it possible that 9 out of 16 schools visited could be in less than “good” condition.

Long Beach Unified School District parents and teachers deserve a “watchdog” to look after the millions and millions of tax dollars given to the LBUSD annually. An elected Office of Inspector General would provide such an “independent watchdog.”

City Charter of Long Beach and Long Beach Unified School District

The Long Beach Unified School District is a creature of the Long Beach City Charter at Article XXII – Education. Article XXII – Education of the Long Beach City Charter creates the Long Beach Unified School District, the powers and duties of the Board of Education, the configuration of the school board districts for the Board of Education, eligibility for persons to hold office as a Board of Education member, the term of office for the School Board, when the meetings of the Board of Education shall be held, how vacancies shall be filled, and how elections shall be conducted. Thus, the voters may amend the City Charter in this manner regarding the Long Beach Unified School District.

Proposed Charter Amendment Language

1. Creation of the Office of Inspector General

There is hereby created for the Long Beach Unified School District an Office of Inspector General.

2. Purpose

The purpose of this Charter Amendment is to establish a full-time program of investigation and performance review to provide increased accountability and oversight of the Long Beach Unified School District and to assist in improving agency operations and deterring and identifying fraud, abuse and illegal acts.

3. Legislative Intent

The intent of this Charter Amendment is to create a wholly independent office of Inspector General to conduct investigations, audits, inspections and other reviews in accordance with those professional standards that relate to the fields of investigation and auditing in government environments. The office of Inspector General would be similar in scope and authority as the City’s Auditor in as much as it shall be the general auditor of the Long Beach Unified School District and of

every department, commission and office thereof. The Office of Inspector General, as often as the Inspector General shall deem it advisable, but in any case at least once in each fiscal year, and at such other times as the Inspector General shall be directed by the Board of Education, shall carefully examine and audit the books, records, accounts, funds and securities of all departments, commissions and offices of the Long Beach Unified School District for the purpose of determining: The accuracy and correctness of such books, records and accounts; that the Long Beach Unified School District thereof are receiving all monies, of whatsoever nature due it or them; and that such monies are allocated to the funds entitled thereto. Immediately upon the completion of such examination and audit, the Inspector General shall make and file with the Clerk of the Board of Education, in triplicate, a written report thereof. If, during the course of such examination and audit, the Inspector General discovers any irregularities, the Inspector General shall immediately make and file a written report thereof to the Board Clerk.

4. Legislative Authority

Article XXII – Education of the Long Beach City Charter creates the Long Beach Unified School District, the powers and duties of the Board of Education, the configuration of the school board districts for the Board of Education, eligibility for persons to hold office as a Board of Education member, the term of office for the School Board, when the meetings of the Board of Education shall be held, how vacancies shall be filled, and how elections shall be conducted. Thus, the voters may amend the City Charter in this manner regarding the Long Beach Unified School District.

The Inspector General shall be elected. The Inspector General is to be elected without regard to political affiliation and on the basis of integrity, capability for strong leadership, and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, investigation, or criminal justice administration or other closely related fields. No former or current executive or manager of the Long Beach Unified School District can serve as Inspector General within the Long Beach Unified School District within five years of that individual's period of service. The inspector general should hold at election, or be required to obtain within a time certain after election, certification as a Certified Inspector General.

5. Term of Office

The Inspector General is elected for a term of eight years, which may be renewed at the discretion of the electorate.

6. Resources

The Office of Inspector General shall consist of the Inspector General and such employees as the Board of Education shall provide for in the budget. The Inspector General shall establish the organization structure appropriate to carrying out the responsibilities and functions of the office. The Inspector General shall have the power to appoint, employ, promote, and remove such assistants, employees, and personnel as deemed necessary for the efficient, and effective administration of the office. Within budget limitations, the Inspector General may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts necessary to independently perform the functions of the office.

7. Copies of Reports and Contracts

A certified copy of every contract in which the Long Beach Unified School District is a party shall be filed with the Inspector General within ten (10) days after execution. The Inspector General shall be furnished a copy of all reports of a financial nature prepared by any department, commission, office or agency of the Long Beach Unified School District. In the performance of his or her duties, the Inspector General shall have the right of immediate access to all financial records of the Long Beach Unified School District.

8. Disbursements Audit

The Inspector General shall regularly review all systems and procedures for the disbursement of Long Beach Unified School District funds and all its departments, commissions, offices and agencies and shall require such controls as deemed necessary to insure that such disbursements -are made in accordance with applicable laws, regulations and policies. As evidence of this regular review, the Inspector General shall sign or cause to be affixed his or her facsimile signature to each check or warrant. If the Inspector General objects to a disbursement, the objection may be overruled by a majority vote of the membership of the Board of Education or by such other independent commission or agency of the Long Beach Unified School District having appropriate jurisdiction. The provisions of this or any other section shall not preclude the authorization and use of imprest cash funds to effect economies in the processing of nominal Long Beach Unified School District expenditures, subject only to advance approval by the Inspector General of procedures, amount and general purpose of such funds.

9. Receipts Audit

The Inspector General shall regularly review all systems and procedures relating to the receipt of funds by the Long Beach Unified School District and all its departments, commissions, offices and agencies and shall require such controls as deemed necessary to insure that such receipts are properly

deposited on a timely basis in the accounts maintained by the Long Beach Unified School District.

10. Organizational Placement

The Long Beach Unified School District, Board of Education or Superintendent shall not prevent, impair, or prohibit the Inspector General from initiating, carrying out, or completing any audit, investigation or review.

Inspector General audit and investigation reports shall be public records to the extent that they do not include information that has been made confidential and exempt from release to the public. During the course of audit and investigation activities, all records will be considered deliberative in process and not available for outside review. Names and identities of individuals making complaints and information protected by whistleblower or other legislation will not be disclosed without the written consent of the individual unless required by law or judicial processes. Similarly, the Inspector General shall maintain the confidentiality of any public records that are made confidential by law and shall be subject to the same penalties as the custodian of those public records for violating confidentiality statutes. Overall, efforts will be made to protect the privacy of individuals or employees whenever possible without interfering in the judicial or administrative processes initiated to protect the public.

11. Reporting Office Activities

The Inspector General will report the findings of the Office's work to the Superintendent of Long Beach Unified School District, to the Board of Education and to the public. The Inspector General shall also report criminal investigative matters to the appropriate law enforcement agencies.

The IG shall immediately report to the Superintendent whenever he/she becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of the Long Beach Unified School District or interference with IG operations. The Superintendent shall transmit any such report to the Board of Education within seven calendar days, together with a report by the Superintendent containing any comments deemed appropriate.

Within 60 days of the end of each fiscal year, the Inspector General shall issue an annual report that separately lists audit and review reports and other investigative or assistance efforts completed during the fiscal year. The report shall describe accomplishments of the Office of Inspector General. Copies of the report shall be provided to the Superintendent as well as any oversight bodies interested in the activities of the Office. Upon issuance, members of the media

and the public shall be promptly advised of the issuance of the report. Such reports will be provided to their representatives upon request.

12. Authority

The Office of Inspector General is authorized to engage in the following specific functions:

- a) Audit, inspect, evaluate, investigate and inspect the activities, records and individuals with contracts, procurements, grants, agreements, and other financial arrangements undertaken by the Long Beach Unified School District, and any other function, activity, process or operation conducted by the Long Beach Unified School District.
- b) Conduct criminal, civil and administrative investigations.
- c) Audit the economy, efficiency, and effectiveness of the Long Beach Unified School District's operations and functions and conduct reviews of the Long Beach Unified School District's performance measurement system.
- d) Review of the reliability and validity of the information provided by Long Beach Unified School District's performance measures and standards.
- e) Provide information and evidence that relates to criminal acts to appropriate law enforcement officials.
- f) Initiate such reviews or audits operations of the Long Beach Unified School District as deemed appropriate.
- g) Receive and investigate complaints from any source or upon its own initiative concerning alleged abuses, frauds and service deficiencies including deficiencies in the operation and maintenance of facilities.
- h) Engage in prevention activities, including but not limited to: review of legislation; review of rules, regulations, policies, procedures, and transactions; training and education.
- i) Refer matters for further civil, criminal, and administrative action to appropriate administrative and prosecutorial agencies.
- j) Conduct joint investigations and projects with other oversight or law enforcement agencies.
- k) Recommend remedial actions to be taken by the Long Beach Unified School District to overcome or correct operating or maintenance deficiencies and inefficiencies that were identified by the Office.
- l) Issue public reports as set forth in section 10
- m) Monitor implementation of recommendations made by the Office and other audit agencies.
- n) Establish policies and procedures to guide functions and processes conducted by the Office.

- o) Attend any meetings held by the Long Beach Unified School District.
- p) Maintain information regarding the cost of investigations and cooperated with appropriate administrative and prosecutorial agencies in recouping such costs from nongovernmental entities involved in willful misconduct.
- q) Do all things necessary to carry out the functions set forth in this section

13. Powers

The Office of Inspector General is provided the following powers to accomplish the intent of this Charter Amendment:

- a) The right to obtain full and unrestricted access to all records, information data, reports, plans, projections, matters, contracts, memoranda, correspondence and any other materials, including electronic data of the Long Beach Unified School District or any other organization that may be involved with the Long Beach Unified School District . This power supercedes any claim of privilege.
- b) The authority to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents, including electronic data as is deemed to be relevant to any inquiry or investigation undertaken pursuant to this writing. This power may be delegated to a duly authorized deputy inspector general by the Inspector General.
- c) Have access to the head of any public entity, when necessary for purposes related to the work of the Office.
- d) Require public employees to report to the Office of Inspector General information regarding fraud, waste, corruption, illegal acts, and abuse.

14. Professional Standards

Audits, investigations, inspections and reviews conducted by the Office of Inspector General will conform to professional standards for Offices of Inspector General such as those promulgated by the Association of Inspectors General.

15. Quality Review

Audits, investigations, inspections and reviews shall be subject to quality assurance reviews by an appropriate professional non-partisan objective group every three to five years. A copy of the written report resulting from this review shall be furnished to the Long Beach Unified School District and Board of Education. This report shall also be made available to the public.

16. Vacancy in the Office of the Inspector General

In the event of a vacancy in the office of the Inspector General for any reason, the Board of Education shall designate a Deputy Inspector General who shall serve in that position until the Board of Education appoints a successor for the unexpired balance of the term. The Board of Education shall act as expeditiously as possible to appoint a successor having the qualifications prescribed herein.