



RON GALPERIN
CONTROLLER

April 30, 2015

VIA EMAIL

Brian D'Arcy, Principal Officer & Union Trustee
Marcie L. Edwards, Management Trustee
IBEW-DWP Joint Safety Institute
IBEW-DWP Joint Training Institute
11801 Sheldon Street
Sun Valley, CA 91352-1508

Dear Mr. D'Arcy & Ms. Edwards.

Enclosed is the final audit report entitled "Audit of IBEW-DWP Joint Safety Institute and Joint Training Institute." A draft of this report was previously provided to you. Your brief and general response was considered and is included in the report, along with the Auditor's rebuttal.

If you have any questions or comments, please contact me at (213) 978-7392 or at farid.saffar@lacity.org.

Sincerely

A handwritten signature in blue ink that reads 'Farid Saffar'.

FARID SAFFAR, CPA
Director of Auditing

Enclosure

Audit of IBEW-DWP Joint Safety Institute and Joint Training Institute



April 30, 2015

Submitted to:

Honorable Ron Galperin, Controller
Office the Controller
City of Los Angeles
200 North Main Street, Suite 300
Los Angeles, California 90012

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Executive Summary

Background

The City of Los Angeles, Office of the City Controller, engaged Crowe Horwath LLP (Controller's Auditor or Auditor) to conduct an audit (Controller's Audit) of the Joint Safety Institute (JSI) and Joint Training Institute (JTI) or collectively referred to as Trusts. The two Trusts were formed by the City Council in 2000 (JSI) and 2002 (JTI), by the Agreement and Declaration of Trust (Trust Agreements) between the International Brotherhood of Electrical Workers (IBEW) and the City of Los Angeles Department of Water and Power (LADWP) establishing the Joint Safety Institute (JSI) and the Joint Training Institute (JTI). The Trusts are funded by contributions made by the Los Angeles Department of Water and Power (LADWP). Expenses are paid by the Trusts under the oversight of a Board of Trustees. Accounting records of the Trusts are maintained separately for both JSI and JTI at the Trusts' location at 11801 Sheldon Street in Sun Valley.

The scope of Controller's Audit included the period of July 1, 2009 through June 30, 2014 (Audit Period). The primary purpose of the Controller's Audit was to determine the validity and reasonableness of expenses paid by the JSI and JTI using the public funds provided by the LADWP. The objectives of the Controller's Audit are described in detail in Section I.

Overall Assessment

There is a lax control environment at the Trusts. That environment sets the tone for the whole organization, influencing the activities of its employees. Responsibility for tone at the top of the organization lies with the Board of Trustees. Control activities are the policies and procedures that help ensure Board of Trustee directives are carried out throughout the organization. The Trusts' Board of Trustees have approved several general governance directives, including the following policies: Conflict of Interest, Investment, Transportation, Travel, Document Retention and Whistleblower. However, the Trusts' lack fiscal and internal control policies and procedures to ensure that control activities are documented through approvals, authorizations, verifications, reconciliations, supervisory reviews and segregated duties.

The lack of fiscal policies and procedures leaves the Trusts without a sound framework of internal controls over financial transactions resulting in an increased risk of fraud, waste and/or abuse. While disbursements are generally approved by the Board of Trustees through the dual check signature process (one Management and one Labor Trustee must sign all checks), and most expenses were supported by underlying invoice documentation, there are a number of questionable expenses noted during the Controller's Audit. The lack of a more robust internal control environment also has led to non-compliance with the Trust Agreements, Trusts' Policies, Internal Revenue Service (IRS) requirements, and prudent business practices.

Significant Findings

Section III of this report provides the detailed Conclusions, Findings and Recommendations as a result of the audit procedures performed. A brief summary of the more significant findings is as follows:

- The Trusts have accumulated approximately \$11.3 million in cash and investment balances as of June 30, 2014. The Trusts' average annual income for fiscal years 2010 through 2014 was approximately \$3.9 million, with average annual expenses of \$3.5 million, resulting in an increase in cash and investment balances of \$2 million since July 1, 2009. The majority of the Trusts' income (98.5% for JSI and 97.8% for JTI, on average over the Audit Period) is from LADWP rate payer money and is being held by the Trusts without a documented plan as to how those funds will be used by the Trusts for authorized purposes.

- The Trusts did not comply with an IRS requirement and failed to report over \$86,000 of income to the IRS. Credit cards were provided to the Administrators to purchase gasoline for the business use of their personal automobiles. The Trusts also provided an automobile allowance to Administrators of \$500 per month. By providing an automobile allowance to Administrators, the Trusts have followed the non-accountable employee expense plan rules of the IRS. Therefore, the gasoline charged to credit cards and the monthly automobile allowance should have been reported as income on the employees' W-2 Forms; the Trusts only reported the monthly allowance to the IRS.
- The Trusts did not comply with the Trust Agreements regarding compensation of LADWP employees. Article IX, Section 4 of the JSI Trust Agreement states that LADWP employees shall not receive compensation from the Trusts; however, the JSI has compensated approximately 110 LADWP employees, on average \$5,100, to conduct training courses. The Trusts paid these LADWP employees, who are training LADWP employees on the Safe Start Program, \$200 per course taught. In excess of \$560,400 was paid to these LADWP employees by the Trusts through June 30, 2014.
- The Trusts had significant expenses related to conferences, meetings and travel. During July 1, 2009 through June 30, 2014, the Trusts spent approximately \$421,550 on conference registration fees, airfare, automobile expenses, lodging and food for Trustees, Administrators and employees to attend those conferences and meetings. The reasons for attendance at the conferences were not documented by the Trusts; therefore, we cannot determine the reasonableness of the conference attendance. In addition, not all conference attendance was documented, as approved, in the Board of Trustee meeting minutes, in accordance with the Trusts' Travel Policy.
- The Trusts did not have appropriate controls over their contracting and purchasing functions. The Trusts lacked procurement policies and procedures that resulted in 19 non-competitively bid contracts, including some with change orders that totaled over \$17.1 million during the audit period.
- The Trusts did not have policies and procedures to control credit card usage. During fiscal years 2010 through 2014, there was over \$667,000 charged to credit cards by Trust employees. Credit cards were used to pay for conferences, lodging, meals, travel, office supplies, computer equipment, auto expenses and gasoline. For instance one Administrator had over \$30,000 in gas charges during the Audit period. Without proper policies and procedures surrounding contract procurement and other credit card purchases, we cannot assess the reasonableness and appropriateness of expenses. In addition, the Trusts' credit card charges dropped dramatically from 2013 (\$200,100) to 2014 (\$96,100). It is unclear if the announcement of the Controller's audit had any impact on what caused such a reduction in credit card charges.

Exhibit A.1, Summary of Findings, in Appendix A, provides the summary of all the Findings and Recommendations as a result of the audit procedures performed. The details of the Findings and Recommendations are in **Section III** of the Report.

We have obtained the brief and general response to the Draft Report from the Trusts and have included it in **Section IV** of this report, along with the Auditor's Rebuttal.

I. Introduction

The City of Los Angeles, Office of the Controller, executed a Task Order with Crowe Horwath LLP (Controller's Auditor or Auditor) to conduct an audit (Controller's Audit) of the Joint Safety Institute (JSI) and Joint Training Institute (JTI) or collectively, referred to as the Trusts.

A. Joint Safety Institute and Joint Training Institute Background

In July 2000, through the labor negotiation process, the Los Angeles Department of Water and Power (LADWP) entered into a City Council Approved Agreement and Declaration of Trust with the International Brotherhood of Electrical Workers, Local 18 (IBEW) to create a trust "for the benefit of LADWP employees represented by IBEW in all aspects of safety on the job." This agreement established the Joint Safety Institute (JSI).

In July 2002, the LADWP and IBEW entered into a similar Agreement and Declaration of Trust for the establishment of a Joint Training Institute (JTI) to "improve employee productivity and worklife."

In addition to initial contributions of \$1.2 million to the JSI and \$6 million to the JTI, the Trusts are funded by an annual contribution from the LADWP. The JSI Trust Agreement states that the annual contribution will be based on \$0.10 per labor hour worked by all LADWP employees. The JTI Trust Agreement states that the annual contribution shall be equal to \$0.15 per labor hour worked by all LADWP employees.

Joint Safety Institute (JSI)

Per the JSI Agreement, the Joint Safety Institute's mission is two-fold:

- Create and foster a culture and environment that continuously improves workplace health and safety to prevent injuries and illnesses to fellow workers.
- Promote open communication and mutual trust and respect between labor and management on issues of health and safety.

While the mission is to improve workplace health and safety, section 5 of the Agreement states that the "Institute shall coordinate with the Joint Labor- Management Safety Committees to establish Worker Safety Groups...Their primary role will be to assist and inform front-line workers in safety related matters." The Worker Safety Group members are selected by the Trustees, but are not paid by JSI. The Agreement lists the Worker Safety Group functions as:

- Conducting joint labor-management safety tours
- Communicating safety information and issues
- Reviewing incidents and investigation processes
- Assessing and assisting with safety training activities
- Assisting with identifying and resolving health and safety concerns
- Identifying and supporting local safety goals and initiatives.

Joint Training Institute (JTI)

Per the JTI Agreement, the Joint Training Trust's mission is four-fold, as defined below:

- Advise LADWP with regard to training needs and assist in the development and improvement of training programs for employees represented by Local 18.
- Conduct studies to determine where there is a need to design new training programs that focus on increased career mobility, job satisfaction, and life-long learning of employees represented by Local 18 and to thereby improve the services of the LADWP to the public it serves.

- Quantify job classifications and operational and service areas of the LADWP in which retraining of employees represented by Local 18 can be conceived and carried out.
- Recommend potential outreach efforts in targeted neighborhoods, communities, and groups on training educational programs that will develop skills for gainful employment in the community.

The job training components are to consist of:

- *Training and Development*, including basic skills, job skills (apprenticeship programs), life skills, health and safety, and labor management skills.
- *Career Advisement and Education*, including upward mobility counseling, tuition reimbursement, scholarship loans, etc.
- *Partnerships with the Business Units* to identify training needs, design targeted training programs, secure feedback, schedule and evaluate training and in return enhance training value and the Department's ability to deliver quality programs and services through a coordinated platform.

JSI Board of Trustees Responsibilities

In accordance with the Trust Agreement, the JSI Trustees are directed to seek to create an infrastructure and operating plan to accomplish the following:

- Serve as a neutral body/liaison between labor and management and safety organizations.
- Coordinate selected safety training to improve the safety skills of front-line and supervisory personnel.
- Conduct joint safety tours in the field.
- Develop and promote key safety initiatives.
- Continually evaluate the effectiveness of safety programs.
- Communicate safety information, trends, and best safety practices.
- Serve as a resource and coach to safety leaders and various groups.
- Conduct surveys and safety training needs assessments.
- Formulize and implement Worker Safety Group Processes and the Joint Safety Tour Process.
- Develop short term and long term strategic safety improvement objectives for the LADWP and the IBEW.

JTI Board of Trustees Responsibilities

In accordance with the Trust Agreement, the JTI Trustees are directed, but not limited to engage in the following activities once they are appointed and continuing throughout their service:

- Determine what training programs are in existence within the relevant areas of the Department.
- Determine what training and/or retraining programs are necessary and not currently provided.
- Engage in resource planning, assessment of training and retraining needs based upon attrition in the workforce and the ongoing need to have competent replacements in place in a reasonable timeframe.
- Serve as a neutral body/liaison between labor, management and training organizations.
- Advise in the design of new training programs promoting the skills needed to train and retrain employees and promote upward mobility, and lifelong learning opportunities.
- Evaluate the effectiveness of the training programs.
- Develop strategic short term and long-term training objectives for the LADWP and Local 18.

JSI and JTI Governance and Management

Each Trust is governed by a Board of Trustees that is appointed equally by LADWP and the IBEW. The JSI Board of Trustees are to include no fewer than two appointed by each party. The JTI Board of Trustees are to include no fewer than four appointed by each party. The Trustees appointed by LADWP are called "Employer Trustees" and the Trustees appointed by the IBEW are called "Union Trustees." Alternate Trustees are allowed to be designated provided that at all times the number of acting Employer Trustees or Union Trustees are equal. The Trustees cannot make any actions unless there are an equal number of Trustees appointed. No alternate Trustee can have the power to vote unless they have been authorized by the LADWP or the IBEW to fill the place of an absent Trustee. During the audit period, the Board of Trustees governing the Trusts were the same for both the JSI and JTI. The Trusts have established eight Trustee positions serving on the Board: four Employer Trustees and four Union Trustees.

The Agreements delineate JSI's and JTI's (Trusts') management and governance structure, with built-in caveats to ensure equal representation from both the Employer (LADWP) and the Union. Each Trust is to have both a LADWP appointed Administrator and a Union appointed Administrator having equal salaries, benefits, authority and responsibility.

The Agreements indicate that no action can be taken by the Trusts unless at a meeting of the Trustees and unless a quorum is present. To constitute a quorum at any meeting of the Board of Trustees, there must be present in person at least two LADWP Trustees and at least two IBEW Trustees. In the absence of a quorum, the Board of Trustees shall not transact any business. The LADWP Trustees collectively have one vote and the Union Trustees collectively have one vote.

The Employer Trustees must have a concurrence of all Employer Trustees present at the meeting to cast its vote, and the Union Trustees must also have a concurrence of all Union Trustees present at the meeting to cast its vote. If a deadlock occurs among the Employer Trustees, the vote for the Employer Trustees is determined by the General Manager of LADWP, or his designee, to whom the Employer Trustees shall submit the issue on which the deadlock occurs within two weeks of the occurrence of the deadlock. If a deadlock occurs among the Union Trustees, the vote for the Union Trustees is determined by the Business Manager of the IBEW, to whom the Union Trustees shall submit the issue on which the deadlock occurs within two weeks of the occurrence of the deadlock.

The Chairman and Secretary of the Board of Trustees are elected from its members at its annual meeting. The offices of Chairman and Secretary rotate annually between the Employer Trustees and Union Trustees. The meetings of the Board of Trustees are to be held at least quarterly (normally held quarterly according to JSI Agreement) and are to be called upon written notice given by the Chairman or the Secretary of the Trustees at least seven business days before each meeting.

The Trustees are fiduciaries who have the exclusive authority and discretion to control and manage the assets, operation and administration of the Trust and the JSI and JTI, unless otherwise provided in the Trust Agreement. The Trustees are required to exercise powers and duties exclusively for the purposes of the Trusts and defraying reasonable expenses of administering the Trusts, and shall do so with the care, skill, prudence and caution under the circumstances then prevailing that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims.

The Board of Trustees are to make rules for the governing of its activities and to provide for the administration of, and to accomplish the purpose of the Trust as it may deem reasonable. All checks, instruments, contracts, or documents of the Trusts are to be executed by at least two Trustees (one Union Trustee and One Employer Trustee) as authorized by the Board.

The Trustees are to serve without compensation from the Trust Fund, but they may be reimbursed for expenses properly and actually incurred in attending Board meetings, conferences, seminars and workshops relating to plan operation and administration or conducting other affairs from the Trust, pursuant to rules and regulations adopted by the Trustees. The Trustees are to report the information gathered from the activities of the Trusts to the Board of Water and Power Commissioners.

B. Audit Objectives, Scope, and Methodology

The primary purpose of the Controller's Audit is to determine the validity and reasonableness of expenses paid by the JSI and JTI using the public funds provided by the LADWP. The four objectives of the Audit as outlined in the Letter of Agreement and Task Order, with sub-bulleted objectives utilized during procedures, were to:

- Review the Trusts' financial processes and procedures;
 - Obtain and read the Trusts' policies and financial processes to gain an understanding of the Trusts to assist with answering the Task Order questions listed below and on the next page.
- Examine the underlying financial records that support the reported expenditures of JSI and JTI;
 - Obtain the Trusts' financial records to gain an understanding of expenditure transactions and to determine the expenses paid by the Trusts in meeting the goals and objectives as outlined in the Trust Agreements were supported by approved invoices, contracts, or other documents.
- Evaluate internal controls over the Trusts' fiscal operations, including assessing the adequacy of accounting records and evidence regarding how the expenditures incurred supported JSI's and JTI's activities and operations; and
 - Evaluate the Trusts' internal controls over fiscal operations to determine the accounting records contained evidence supporting the Trusts' activities and operations.
- Determine whether these expenditures were reasonable and consistent with the objectives of the respective programs.
 - Determine whether the Trusts' expenditures were consistent with the objectives of the programs and were for proper business purposes as outlined in the Trust Agreements.

The Controller's Audit sought to answer the following questions as outlined in the Task Order, with the sub-bulleted objectives utilized during procedures, related to financial controls and expenditures:

- By focusing on high dollar and high risk transactions, are the expenditures reportedly charged to JSI and JTI properly approved, supported by appropriate documentation, reasonable, and in-line with the goals and objectives of the respective programs?
 - Determine Trusts' expenditures are properly approved in accordance with Trust policy, supported by appropriate documentation, for proper business purposes, and in-line with the goals and objectives of the respective programs as outlined in the Trust Agreements.
- Are the Property and Plant Asset purchases reasonable and necessary?
 - Determine property and plant asset purchases were necessary and in accordance with the goals and objectives of the respective programs as outlined in the Trust Agreements.
 - Have the Trusts exercised prudence over purchasing and contracting practices that are reasonable and have resulted in lowest procurement costs? For example, do they follow competitive bidding practices in awarding contracts?
- Determine the Trusts followed Trust policy over purchasing and contracting practices, including competitive bidding practices, and that these practices resulted in the lowest procurement costs.
- Why is there a large accumulation of cash? Is there a yearly budget prepared and how have actual results compared to the budget?
 - Determine how excess cash is defined by the City and determine whether cash accumulations are supported by a proper business purpose.
 - Determine whether a yearly budget is prepared and analyze the Trusts' spending versus the budget to determine spending is within budget.

- Have the Trusts established adequate policies and procedures to effectively manage their financial activities? For example, have they implemented sound investment policies and are the policies being followed?
 - Determine whether the Trusts' have established adequate policies and procedures, including investment policies, over financial activities.
- Have required audits been completed in accordance with the terms of the Agreements?
 - Determine required audits were completed in accordance with the terms of the Trust Agreements.

Lastly, the Task Order requested a compilation of the detailed revenue receipts and expenditures/disbursements, incurred by both Trusts from July 1, 2009 through June 30, 2014. The Controller's Auditor obtained the detailed financial records from the Trusts' and transcribed the information for receipts and disbursements into spreadsheets to be utilized in performing the audit procedures to meet the objectives noted above.

Scope

The Controller's Audit reviewed and evaluated the management and internal controls in place for each of the Trusts as it relates to their respective financial processes and procedures, the compilation of financial transactions, and tests of the financial records for five fiscal year periods including 2009-2010, 2010-2011, 2011-2012, 2012-2013, and 2013-2014 or July 1, 2009 through June 30, 2014. One key scope restriction was that all Trust documents could only be reviewed at the Trusts' location and could only be transcribed but not copied, reproduced, photographed or retained. Due to this restriction, the Controller's Auditors transcribed all the data to be used during testing.

Methodology

The Audit involved a two-phase approach as follows:

- Phase I, December 2014 and March 2015¹, included the data gathering and planning phase in order to identify high risk areas including: sufficiency of policies, procedures and controls, and the existence and reliability of financial documents and other records necessary for examination as part of the substantive test work phase. At the completion of planning, preliminary issues were identified based on an assessment of information gathered, and a transcription of data prepared noting the Trusts' historical revenue receipts and expenditure/disbursements by category and amount.
- Phase II, March 2015 through April 2015, covered substantive test work based on the risks and specific expenditure/disbursements identified from Phase I. We conducted the Controller's Audit in accordance with generally accepted government auditing standards. 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.

Fieldwork was conducted from November through December 2014, then March through April 2015. During fieldwork, procedures were performed to address the audit objectives and support the findings and conclusions. The following procedures were performed to address the objectives as follows:

- Review the Trusts' financial processes and procedures
 - Obtain and read the Trusts' policies and financial processes to gain an understanding of the Trusts to assist with answering the questions listed below.

¹ Note, the project was placed on hold for 2 ½ months due to dispute between the City and the Trusts regarding transcription of information/data, given the Agreement precluded Crowe from being able to copy or scan any document, or download available electronic information.

Approach

We obtained and read the policies of the Trusts covering the following topics: Conflict of Interest, Investment, Transportation, Travel, Document Retention and Whistleblower. The Trusts did not have other policies or procedures so the Auditor also inquired into management practices with the Trusts' employees.

- Examine the underlying financial records that support the reported expenditures of JSI and JTI;
 - Obtain the Trusts' financial records to gain an understanding of expenditure transactions and to determine expenses paid by the Trusts in meeting the goals and objectives as outlined in the Trust Agreements were supported by approved invoices, contracts, or other documentation.

Approach

We obtained the general ledgers produced from Quickbooks for both of the Trusts and investment accounts of each Trust. We then transcribed the information including credit card transactions, banking transaction detail, and general ledger detailed reports from Quickbooks and compared to supporting detail and underlying documentation. The transcribed data was compared to electronic versions of Quickbooks; bank statements and bank reconciliations, and audited financial statements and Form 990s.

- Evaluate internal controls over the Trusts' fiscal operations, including assessing the adequacy of accounting records and evidence regarding how the expenditures incurred supported JSI's and JTI's activities and operations; and
 - Evaluate the Trusts' internal controls over fiscal operations to determine the accounting records contained evidence supporting the Trusts' activities and operations.

Approach

We interviewed several of the Trustees, Administrators, the Management Analyst and the two Senior Clerk Typists of the Trusts and inquired into the control framework they were aware of. We noted the following controls relating to the fiscal operations:

- All invoices are to be approved by an Administrator
- All checks require dual signature by one Management and one Labor Trustee
- Bank accounts are to be reconciled monthly by the Management Analyst
- Tested transactions posted to the general ledger were supported by underlying documentation, except where noted in an exception or finding.

During our testing, we noted where there was evidence that these controls appeared to be in place and followed and where the controls were not documented.

- Determine whether these expenditures were reasonable and consistent with the objectives of the respective programs.
 - Determine whether the Trusts' expenditures were consistent with the objectives of the programs and were for proper business purposes as outlined in the Trust Agreements.

Approach

We categorized the transcribed expenses based on the Trusts' general ledger categorization (i.e. auto expense, training expenses, etc.), and our own observations for the classification of transactions, and then prepared multiple schedules to analyze the quantity, amounts, and ratios of expenses. See **Exhibit II.11** through **Exhibit II.14** for further analysis on expenses.

The Controller's Audit is to answer the following questions as outlined in the Task Order, with the sub-bulleted objectives utilized during procedures, related to financial controls and expenditures:

- By focusing on high dollar and high risk transactions, are the expenditures reportedly charged to JSI and JTI properly approved, supported by appropriate documentation, reasonable, and in-line with the goals and objectives of the respective programs?
 - Determine Trusts' expenditures are properly approved in accordance with Trust policy, supported by appropriate documentation, for proper business purposes, and in-line with the goals and objectives of the respective programs as outlined in the Trust Agreements.

Approach

We noted several categories which we identified as being high dollar and/or high risk to test. These categories included: Auto Expenses, Conferences/Meetings, Payroll (both salaries, and reimbursed salaries), and Training. For each of these categories, we made a selection from the detail ledger to test and agree back to source documents. See below for discussion on work performed on each category:

- Auto Expenses – Items tested were tied and agreed to administrative agreements in the case of auto allowances provided to the Administrators. Administrator auto allowances are included in the total auto expenses of \$268,000.
- Conferences/Meetings – Based on the general ledger detail and conversations with the Management Analyst we identified 22 conferences/meetings during the audit period. We selected a sample of four conferences/meetings from general ledgers and Board of Trustees Meeting minutes to test conference approval. We gathered the underlying invoices and support to test and agree amounts listed in the general ledgers for these four conferences. We also noted and categorized the expenses for the remaining 18 conferences. See Exhibit B for further detail on conferences/meetings.
- Payroll
 - Salaries – We tested and recalculated two of the five years of salary payments for all employees paid by the Trusts. We tied these amounts into the W-2s that were issued.
 - Reimbursed salaries – We selected a sample of 25 invoices, representing 59% of the population of LADWP salary payments. We recalculated the amount billed and agreed the amounts to payroll reports from LADWP. We compared these amounts to payments made by the Trusts and recorded in the general ledger.
- Are the Property and Plant Asset purchases reasonable and necessary?
 - Determine property and plant asset purchases were necessary and in accordance with the goals and objectives of the respective programs as outlined in the Trust Agreements.

Approach

We gathered the general ledger details around property and equipment assets, as well as expenses related to property and plant assets (depreciation, repairs and maintenance, and other). We made a sample of 9 items totaling \$171,000, from these ledgers, and included on the Trusts' Auditor's working papers on fixed assets, and compared the amounts back to check payments and original invoices.

- Have the Trusts exercised prudence over purchasing and contracting practices that are reasonable and have resulted in lowest procurement costs? For example, do they follow competitive bidding practices in awarding contracts?
 - Determine the Trusts followed Trust policy over purchasing and contracting practices, including competitive bidding practices, and that these practices resulted in the lowest procurement costs.

Approach

We interviewed several of the Trustees, the Administrators, the Management Analyst and the two Senior Typists of the Trusts and inquired into the Trust policy relating to purchasing, contracting practices, and

competitive bidding. It was noted during these interviews that the Trusts do not utilize a competitive bidding process, nor are there controls around the purchasing or contracting practices.

- Why is there a large accumulation of cash? Is there a yearly budget prepared and how have actual results compared to the budget?
 - Determine how excess cash is defined by the City and determine whether cash accumulations are supported by a proper business purpose.
 - Determine whether a yearly budget is prepared and analyze the Trusts' spending versus the budget to determine spending is within budget.

Approach

We prepared a cash analysis, noting annual build ups of cash, period over period (see **Exhibit II.4** and **Exhibit II.5**) and discussed these observations with some of the Trustees and Administrators during our interviews. It was disclosed that there was no planned accumulation of cash.

As part of our review of the board meeting minute files, we noted there was an annual budget prepared for fiscal years 2010, 2011, 2012, and 2013 by the Management Analyst and Administrators and approved by the Trustees. A budget to actual analysis was also prepared by the Management Analyst and presented to the Trustees; however, this report was found in only some of the board minutes reviewed.

- Have the Trusts established adequate policies and procedures to effectively manage their financial activities? For example, have they implemented sound investment policies and are the policies being followed?
 - Determine whether the Trusts' have established adequate policies and procedures, including investment policies, over financial activities.

Approach

As part of our discussions with Trustees, and Trusts' employees, it was noted that there is an investment as well as other general governance policies. However we were informed that there were no financial or internal control policies and procedures.

- Have required audits been completed in accordance with the terms of the Agreements?
 - Determine required audits were completed in accordance with the terms of the Trust Agreements.

Approach

We obtained audited financials and Form 990s for fiscal years 2010, 2011, 2012, and 2013, however the fiscal year 2014 financial statement audit and Form 990 were not available for our review. We inquired into their availability, and were told by the Trusts' Auditors that they would not be completed until the end of April, 2015.

The Controller's Auditors interviewed the following Trustees, JSI/JTI employees, and Trusts' auditors as part of the audit procedures:

JSI/JTI Employees

- Mary Carbajal-Waid – JSI/JTI Management Analyst, employed by Trusts during the entire audit period
- Sharon Sosa – JSI Senior Clerk/Typist, employed by Trusts during the entire audit period
- Alise Asadourian – JTI Senior Clerk/Typist, employed by Trusts during the entire audit period

JSI Administrators

- Frank Naglich – JSI Management Administrator, employed by JSI in 2013
- John Vanacore – JSI Labor Administrator, employed by JSI during the entire audit period

JTI Administrators

- Barry Poole – JTI Labor Administrator, employed by JTI 2012 to 2014
- Jon Pokorski – JTI Labor Administrator, employed by JTI during the entire audit period
- Daniel Scorza – JTI Management Administrator, employed by JTI 2012 to 2014
- Wesley Pyle – JTI Management Administrator, employed by JTI 2010 to 2011

JSI/JTI Trustees

- Jesse Mercado – Labor Trustee, served as Trustee during the entire audit period
- Dave Donovan – Labor Trustee, served as Trustee during the entire audit period
- Aram Benyamin – Management Trustee, served as Trustee during 2010 to 2013
- David Hanson – Labor Trustee, served as Trustee during the entire audit period

Other Related Parties

- Audit Team from Miller, Kaplan, Arase (Trustees’ Auditors)

The Auditor requested to meet with 3 additional Trustees but were unable to do so. Brian D’Arcy, JSI Trustee did not return email requests for an interview made by the Auditor or requests made by Mr. Vanacore. David Thrasher, JSI Trustee, was not able to meet for an interview due to an illness. James McDaniel, a JSI/JTI Trustee, could not be located for an interview.

II. Financial Controls and Information

This Section of the Controller’s Audit provides a summary of the detailed revenue receipts and expenditures/ disbursements, incurred by both Trusts from July 1, 2009 through June 30, 2014. The information contained in Section II has not been audited or examined by the Controller’s Auditor and no opinion is being expressed on the fair presentation of the information. The Controller’s Auditor obtained the detailed financial and other records from the Trusts and, due to the Letter of Agreement data gathering restrictions, transcribed the receipts, disbursements, and other information into spreadsheets and other documents and summarized such information for this Report. This Section provides an overview of the Trusts’ Governance Structure, Financial Policies and Procedures, Financial Information, Contractual Services, and Trainings.

A. Governance Structure

The Trusts are governed by a Board of Trustees. The Trustees provide general supervision, direction and control of all aspects of the Trusts’ Funds, and the Safety and Training Programs. Both the JSI and JTI employ Administrators who are responsible for developing, recommending, and implementing Safety Programs, both general and site specific, to the Board of Trustees. The Administrators are to: (1) develop plans for Safety Programs; (2) provide direction and assistance; and, (3) coordinate the purchasing of goods and services. The Administrators may hire, on behalf of the Trusts, employees and staff to assist them in their duties as may be specified from time to time by the Trustees.

Exhibits II.1 and II.2, beginning below, provides the names of individuals who were in Trustee, Administrator or employee roles during the Audit Period of July 1, 2009 through June 30, 2014. Exhibit II.1 shows the list for the JSI; Exhibit II.2 shows the list for the JTI. Note, the Trustees are the same for both JSI and JTI.

Exhibit II.1, JSI List of Administrators, Advisors, and Trustees

Name	Position	Union / Employer	Involved With Trust as of June 30,
Frank Miramontes	Administrator	Union	2010 – 2011
Frank Naglich	Administrator	Employer	2013
James Van Sickle	Administrator	Employer	2010 – 2012
John Vanacore	Administrator	Union	2010 – 2014
Eduardo Herrera	Advisor	Union	2013 – 2014
Gus Corona	Advisor	Union	2010 – 2014
Joe A. Castruita	Advisor	Employer	2013 – 2014
Martin Marrufo	Advisor	Union	2010 – 2014
Michael Coia	Advisor	Employer	2010 – 2014
Tyrone Jeffery	Advisor	Employer	2013
Aram Benyamin	Trustee	Employer	2010 – 2013
Brian D’Arcy	Trustee	Union	2010 – 2014
Cecilia K.T. Weldon	Trustee	Employer	2010
Dave Hanson	Trustee	Union	2010 – 2014
David Donovan	Trustee	Union	2010 – 2014
David Thrasher	Trustee	Employer	2014
James B. McDaniel	Trustee	Employer	2010 – 2014
Jesse Mercado	Trustee	Union	2010 – 2014
John C. Kokoska	Trustee	Employer	2010 – 2013
Raman Raj	Trustee	Employer	2010
Ronald O. Nichols	Trustee	Employer	2011 – 2013

Exhibit II.2, JTI List of Administrators, Advisors, and Trustees

Name	Position	Labor / Employer	Involved With Trust as of June 30,
Barry Poole	Administrator	Union	2012 – 2014
Daniel Scorza	Administrator	Employer	2012 – 2014
Jon Pokorski	Administrator	Union	2010 – 2014
Wesley Pyle	Administrator	Employer	2010 – 2011
Eduardo Herrera	Advisor	Union	2013 – 2014
Gus Corona	Advisor	Union	2010 – 2014
Joe A. Castruita	Advisor	Employer	2013 – 2014
Martin Marrufo	Advisor	Union	2010 – 2014
Michael Coia	Advisor	Employer	2010 – 2014
Tyrone Jeffery	Advisor	Employer	2013
Aram Benyamin	Trustee	Employer	2010 – 2013
Brian D'Arcy	Trustee	Union	2010 – 2014
Cecilia K.T. Weldon	Trustee	Employer	2010
Dave Hanson	Trustee	Union	2010 – 2014
David Donovan	Trustee	Union	2010 – 2014
David Thrasher	Trustee	Employer	2014
James B. McDaniel	Trustee	Employer	2010 – 2014
Jesse Mercado	Trustee	Union	2010 – 2014
John C. Kokoska	Trustee	Employer	2010 – 2013
Ronald O. Nichols	Trustee	Employer	2011 – 2013

B. Policies and Procedures

The Controller’s Auditor obtained and reviewed the current policies and procedures of the Trusts to gain an understanding of the financial policies and internal controls in place prior to performing the audit testing. The Controller’s Auditor reviewed the following documented policies, and a summary is provided on the next several pages:

- JSI/JTI Transportation Policy
- JSI/JTI Travel Policy
- July 2013 Travel Policy for Traveling on Behalf of JSI (Policy Has Not Been Approved)
 - Travel Authorization Form
 - Conference Summary Form
- JTI Document Retention and Destruction Policy
- JTI Investment Policy
- JSI/JTI Conflict of Interest Policy
 - Disclosure Statement
- JTI Whistleblower Policy

Transportation Policy Summary

JSI and JTI Administrators

In order to provide essential services with efficiency and economy, the JSI and JTI authorize vehicles for use by Administrators for JSI/JTI business. The Administrators will use the vehicles regularly and outside normal working hours, specifically for the purpose of allowing incumbents to begin and end the workday at locations other than their permanent working reporting location, and to respond to Business Units' various training and safety requirements. Vehicles will be utilized as working tools required by the individual's job requirements and not as a part of compensation, or inducement to employment.

Therefore, the JSI and JTI shall provide the following:

- JSI and JTI Administrators will have the option to use Department take home vehicles and be subject to the applicable criteria, rules and restrictions per Admin Manual 130-52. The cost for the use of a take home vehicle will be charged to the JSI and JTI on a quarterly basis; or
- JSI and JTI Administrators can exercise the option to use their own personal vehicle and be paid a transportation allowance currently calculated at \$500.00 per month; with said amount to be adjusted annually based on the average usage and cost of a take home vehicle assigned to any of the JSI and JTI Administrators.

This authority shall be subject to the approval of two members of the Board of Trustees (one Union Trustee and one Employer Trustee). It is the responsibility of the JSI/JTI Administrator to secure the necessary approvals for the Vehicle Take Home Authority, Form No. 00469, and follow the procedures stated in Administrative Manual 130-52, if he/she opts to use a take home vehicle.

It is the responsibility of the JSI/JTI Administrator to submit a letter to the Board of Trustees indicating preference to use a personal vehicle for business along with a copy of a current automobile insurance coverage. The letter will be signed and authorized by two Trustees (one Union Trustee and one Employer Trustee).

JSI & JTI Support Staff

When the performance of the JSI and JTI support staff duties requires the use of the employee's personal vehicle for business-related transportation, and as such has been authorized by the JSI and JTI Administrators, the employee is entitled to reimbursement according to the appropriate mileage schedule in effect at that time. Requests for reimbursement are to be submitted on monthly mileage vouchers, to be signed and submitted by the employee for approval by the JSI/JTI Administrator.

Travel Policy Summary

Trustees, Administrators, and occasionally staff who are required to travel in performance of official JSI/JTI business are expected to incur only expenses that reasonable and prudent persons would incur if traveling on personal business. Expenses for authorized activities will be reimbursed upon submission of an approved Travel Expense Statement.

Advance Authorization

All travel and travel expenses must be authorized by the Board of Trustees in advanced.

Reimbursement of Expense

Expenses will be reimbursed only if they are attributed to the purpose of the trip. Receipts are required for any expenditure. Trustees, Administrators, and employees are responsible for the verification of all charges for which payment is made. The JTI/JSI will not reimburse for payments made in error.

Expenses that do not conform to these general guidelines may not be reimbursed. Non-reimbursable expenses are listed below:

- Entertaining guest(s) (except those specifically authorized)
- Expenses incurred at a private club that discriminates in membership or practices
- Extravagant charges
- Fees for the purchase of Travelers checks
- Credit card late charges
- Alcoholic beverages
- Personal items
- Personal phone calls
- Over tipping (amounts over 20%).

Air Travel

Airline reservations are to be made directly by the JSI/JTI as far in advance of the trip as possible so that advance purchase discounts can be obtained. Coach or economy space shall be utilized as much as possible. The Trustees, in any of the following cases, may authorize use of business class:

- Coach or economy space is not available
- Flights are outside the continental US
- Physical condition of the employee necessitates the use of business class

Frequent flyer program – Employees shall not personally benefit from tickets purchased by the JSI/JTI; therefore, employees are prohibited from enrolling in, adding miles to, or utilizing any frequent flyer program that may accrue and personal benefits from fares purchased by the JSI/JTI, unless used in the course of the JSI/JTI business.

Non-JSI/JTI Financed Travel

All travel, lodging, attendance, and associated services financed by an agency other than JSI/JTI must have approval of the Trustees.

Vendor Paid Travel

Employees shall not allow vendors to pay for lodging, except in cases where the lodging facility is vendor-owned and practical for travel purposes and where alternative lodging is not feasible. Such arrangements must be pre-approved.

Report of Travel

Administrators shall make reports of travel and attendance at conferences and other approved events at the next meeting of the Board of Trustees. Other reports shall be made as requested by the Board.

Document Retention Policy Summary

Exhibit II.3, on the next page, summarizes the document retention policy based on the type of document. This policy is the same for both the JSI and JTI.

Exhibit II.3, Document Retention and Destruction Policy

Type of Record	Suggest Retention Period
Actuarial reports	Permanently
Allocation and compliance testing	6 years
Annual finance reports	Permanently
Audit Reports	Permanently
Bank deposit Slips	7 years
Bank reconciliations	7 years
Bank Statements and cancelled checks	7 years
Brokerage/Trustee statements supporting investments	6 years
Contracts:	
Collective bargaining agreements	Permanently
Vendors	Permanently
Contributions reports	Permanently
Correspondence:	
General	3 Years
IRS and DOL	Permanently
Legal	Permanently
Personnel	7 years
Equipment leases (after expiration)	6 years
Expense reports	7 years
Fidelity bonds	7 years
Fiduciary Policies	Permanently
Fixed Asset Records	10 Years
Insurance Policies (after expiration)	7 years
Investment Guidelines	Permanently
Invoices	7 years
IRS qualification documents and determination letter	Permanently
IRS Returns:	
Form 990	Permanently
Payroll	7 years
Social Security	7 years
Labor Records (after termination)	
Contracts	7 years
Earning Records	7 years
Paychecks	7 years
Personnel Files	7 years
Salary and wage rate changes	7 years
Worker's compensation records	10 Years
Ledgers and journals:	
Cash receipts and disbursements journal	10 Years
Checkbooks	10 Years
General ledger	Permanently
Payroll journal	10 Years
Minute Books	Permanently
Mortgages	Permanently
Notes Payable (after expiration)	7 years

Investment Policy Summary

The Trusts have an Investment Policy approved on April 16, 2008, and signed by the Chairman and Secretary of the Board of Trustees. This version was provided to the Controller's Auditor as the policy in effect during the Audit Period. The purpose of the policy is to define responsibilities of the parties, establish goals and objectives of the Plan assets, offer guidance regarding investments, evaluate investment results, and manage plan assets according to prudent standards. The investment horizon is established as two years.

Delegation of Authority can be made by the Board of Trustees to Trust Administrators, Custodians and additional specialists; however, the Board of Trustees retains control over investment decisions. Trust Administrators, if directed by the Board of Trustees, shall establish investment policy objectives and guidelines, measure and evaluate investment performance, and complete other tasks, as deemed appropriate.

General Investment principles follow the prudent person rule. Investment diversification is important to minimize the risk of loss. Per the Investment Policy, "Cash is to be employed productively but prudently at all times by investment in short term cash equivalents to provide safety, liquidity and return".

The investment objectives are provided below:

- Protect capital and emphasize current income
- Generate an appropriate level of investment income to meet the cash flow needs on a periodic basis for various financial requirements.

The primary purpose of investment is the Preservation of Capital. The secondary objective is Liquidity. The specific investment goal of the plan assets is to meet or exceed market rates of return in the aggregate; however, this goal is not meant to be imposed on each investment.

The Investment Policy defines risk as "The probability of losing money over any time period". The Plan requires that a minimum of 20 percent of the assets be maintained in cash or cash equivalents to maintain liquidity. The Plan includes guidelines for fixed income investments and cash equivalents. Fixed income maturity restrictions include:

- Maximum maturity for a single security of 2 years
- Weighted average of portfolio maturity may not exceed 2 years
- Money market funds shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's and/or Moody's.

Performance Reports generated by the Administrators shall be compiled at least quarterly and communicated to the Board of Trustees for review. The Board of Trustees intends to evaluate the portfolios over at least a 3 year period. The Board of Trustees plans to review the Investment Policy at least annually.

Included in the investment policy is an Amendment No. 1, indicating that at an August 6, 2009 Trustee meeting, it was decided that funds will be deposited in a FDIC protected non-interest bearing accounts until they can be invested in CDs. The Trusts have invested in Certificates of Deposits (CD), where the CD maturities are staggered to provide cash flow for contract or other payments from the respective JSI/JTI. The Trusts utilize a CD Broker to purchase the CDs. The Management Analyst works directly with the CD Broker based on recommendations received by the Management Analyst from Administrators. The Management Analyst then prepares a recommendation regarding investments and submits to the Board of Trustees for approval. Usually the recommendation is made every other month due to the established ladder program with 60 day maturities. Upon approval by the Board of Trustees, the Management Analyst initiates the investment activity with the CD Broker.

Conflict of Interest Policy Summary

The Trustees and management have the responsibility of administering the affairs of the Trusts honestly and prudently, and of exercising the best care, skill, and judgment of the sole benefit of the Trusts. Those persons

shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with the Trusts, or knowledge gained, for their personal benefit. The interest of the organization must be the first priority in all decision-making and actions.

Persons Concerned:

This statement is directed not only to the Trustees, but to all management employees who can influence the actions of the Trusts. For example, persons concerned are those who make purchasing decisions, all persons who might be described as "management personnel", and anyone who has proprietary information concerning the Trusts.

Areas in which a Conflict may Arise:

Conflicts of interest may arise in the relations of the Trusts and management with any of the following third parties:

- Persons and firms supplying goods and services to the Trust
- Persons and firms from whom the Trust leases property and equipment
- Persons and firms with whom the Trust is dealing or planning to deal in connections with the gift, purchase or sale of real estate, securities or other property
- Competing or affinity organizations
- Donors, members and others, supporting the Trust
- Agencies, organizations and association which affect the operations of the Trust
- Family member, friends and other employees.

Nature of Conflict of Interest

A conflict of may be defined as an interest, direct or indirect, with any persons or firms named above in which the Trustees and management of the Trust may not benefit financially from a decision made in relation to his or her capacity with the organization, such as:

- Owning stock or holding debt or other proprietary interest in any third party dealing with the Trust
- Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) with any third party dealing with the Trust
- Receiving remuneration for services with respect to individual transactions involving the Trust
- Using the Trust's time, personnel, equipment, supplies or goodwill for other than the Trust's approved activities, programs and purposes
- Receiving personal gifts or loans from third parties dealing or competing with the Trust / Receipt of any gift is disapproved.

Interpretation of this Statement of Policy:

The areas of conflicting interest above, and the relations on those areas which may give rise to conflict, also listed above, are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that the Trustees and management will recognize such areas and relations by similar analysis as noted above.

Disclosure Policy and Procedure

In connection with any actual or possible conflict of interest, interested person must disclose the existence of financial interest and be given the opportunity to disclose all material facts to the Trustees considering the proposed transaction or arrangement.

Transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed:

- The conflicting Interest is fully disclosed
- The person with the conflict of interest is excluded from the discussion and approval of such transaction
- A competitive bid or comparable valuation exists; and
- The trustees have determined that the transaction is the best interest of the organization.

Annual Statements:

Each Trustees and management employee with delegated power who can influence the action of the Trust shall annually sign a statement which affirms such person:

- Has received a copy of the conflict of interest policy
- Has read and understands the policy
- Has agreed to comply with the policy.

Violations of the Conflicts of Interest Policy

If the Board of Trustees has reasonable cause to believe a Trustee or management employee has failed to disclose actual or possible conflicts of interest, it shall inform that individual of the basis of such belief and afford him or her an opportunity to explain the alleged failure to disclose.

If, after hearing the individual's response and after making further investigation, as warranted by the circumstances, the Trustees determine the individual has failed to disclose an actual or possible conflicts of interest, the Board shall take appropriate disciplinary and corrective action.

Whistleblower Policy Summary

The objectives of the Whistleblower Policy are to establish policies and procedures for:

- The submission of concerns regarding questionable accounting or auditing matters, illegal practices or other violations of adopted policies of the organization, on a confidential anonymous basis.
- The receipt, retention and treatment of complaints received by the organization regarding accounting, internal controls, or auditing matters, illegal practices or other violations of adopted policies.
- The protection of trustees and employees reporting concerns from retaliatory actions.

Reporting Responsibility

Each Trustee and employee of the JSI/JTI has an obligation to record in accordance with this Whistleblower Policy: (a) questionable or improper accounting or auditing matters; (b) other illegal practices; and, (c) violations and suspected violations of the Trust's Code (hereinafter collectively referred to as Concerns).

Authority of Committees

All reported concerns will be forwarded to the Chairman (or if he or she is not the one involved, then to the Co-Chairman) who shall bring the matter to the attention of the Board of Trustees. The Trusts shall be responsible for investigating and making appropriate recommendations with respect to all report concerns.

No Retaliation:

The Whistleblower Policy is intended to encourage and enable Trustees and employees to raise concerns within the organization for investigation and appropriate action. With this goal in mind, no Trustee or employee who in good faith reports a concern shall be subject to retaliation or, in the case of an employee, adverse employment

consequences. An employee who retaliates against someone who has reported a concern in good faith is subject to discipline up to and including termination of employment.

Reporting Concerns:

Employees should first discuss their concern with their immediate supervisor. If, after speaking with his or her supervisor, the individual continues to have reasonable ground to believe the concern is valid, the individual should report the concern directly to the Chairman. If the concern was reported verbally to the Chairman, the reporting individual, with assistance from the Chairman, shall reduce the concern to writing.

Trustees:

- Trustees should submit concerns in writing directly to the Chairman (or if her or she is the one involved, then the Co-Chairman)
- The Chairman is required to promptly report the concern to the Board of Trustees, which has specific and exclusive responsibility to investigate all concerns.

Handling of Reported Violations:

The Chairman or (Co-Chairman) and the Board of Trustees shall address all reported concerns. The Chairman (or Co-Chairman) will immediately notify the Board of Trustees of any such report.

All reports will be promptly investigated by the Chair (or Co-Chairman) and the Board of Trustees and appropriate corrective action will be taken if warranted by the investigation. In addition, action taken must include a conclusion and/or follow-up with the complainant for complete closure of the concern.

The Chairman and the Board of Trustees have the authority to retain outside legal counsel, accountants, private investigators, or any other resource deemed necessary to conduct a full and complete investigation of the allegations.

Acting in Good Faith:

Anyone reporting a concern must act in good faith and have reasonable grounds for believing the information disclosed indicates an improper accounting or auditing practice, illegal practice, or a violation of the code.

The act of making an allegation that proves to be unsubstantiated, and that proves to have been made maliciously, recklessly, or with the foreknowledge that the allegation is false, will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment. Such conduct may also give rise to other action including civil lawsuits.

Confidentiality:

Report of Concern and investigation pertaining hereto, shall be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

C. Financial Information

The Exhibits below present summarized information from the financial records of both JSI and JTI per the Controller's Audit objective of documenting the JSI and JTI detailed revenue receipts and expenditures/disbursements. The information in the Exhibits has not been subjected to financial statement audit or examination procedures. The information may be classified differently than information contained in the Trusts' audited financial statements; as such, the Controller's Auditor is not expressing an opinion on the fair presentation of these amounts. The information for fiscal years 2010 through 2013 in the tables below has been compared in total to the audited financial statements of the Trusts. The audit for fiscal year 2014 was not made available for purposes of the Controller's Audit.

Cash and Investments

Exhibit II.4, JSI Cash and Investments

Account Number	Name	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014
1015	ABB Checking	\$248,676	\$181,586	\$208,928	\$214,364	\$211,236
1020	ABB Money Market	250,439	250,769	200,187	200,668	200,767
1025	Cash on Hand	500	500	500	500	500
1030	CD Investment	2,528,945	2,631,891	2,827,915	2,488,915	1,141,915
1000	Citibank Checking	141,201	308,983	188,657	154,695	216,807
1010	Citibank Money Market	216,362	114,368	140,034	40,286	243,347
1005	Citibank Payroll	45,126	91,153	81,418	103,740	42,213
	Fiscal Year Totals	\$3,431,250	\$3,579,250	\$3,647,639	\$3,203,167	\$2,056,784

Exhibit II.4, above, shows as of June 30, 2014, JSI had approximately \$2.057 million in cash and Certificates of Deposit, which is a decrease from the prior year of approximately \$1.146 million. The primary reason for the decline in cash and investments was due to the acquisition of materials utilized in the Safe Start program. During the year ending June 30, 2014, \$950,000 was paid to Electrolab for training and material related to the Safe Start program. As of July 1, 2009, JSI began the audit period with \$3,079,890 in cash and investments.

Exhibit II.5, JTI Cash and Investments

Account Number	Name	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014
1000	Citibank Checking	\$82,935	\$271,537	\$222,169	\$299,455	\$126,502
1005	Citibank Payroll	77,435	72,826	50,493	92,928	87,360
1010	Citibank Money Market	94,011	161,392	142,432	157,946	64,807
1015	ABB Checking	44,028	444,730	251,012	241,231	143,043
1020	ABB Money Market	250,439	250,919	201,040	201,217	201,337
1025	Petty Cash	500	500	500	500	500
1030	CD Investment	6,400,938	6,358,938	7,152,905	7,609,815	8,656,790
	Fiscal Year Totals	\$6,950,287	\$7,560,842	\$8,020,550	\$8,603,092	\$9,280,339

Exhibit II.5, above, shows that as of June 30, 2014, JTI had approximately \$9.280 million in cash and Certificates of Deposit, which is an increase from the prior year of approximately \$677,000. Cash and Investment balances have increased by about \$2.3 million since June 30, 2010. The primary reason for the increase in cash and investments was due to the Trusts not spending money as estimated by the annual budgets prepared by the Trust and approved by the Board of Trustees. Since June 30, 2010, cash and investment balances have increased on average 7 percent per year. As of July 1, 2009, JTI began the audit period with \$6,228,476 in cash and investments.

Property and Equipment (Fixed Assets)

The Trusts maintain office furniture and equipment, computer hardware and software, and training equipment. The Trusts' Auditor maintains the records of the Fixed Assets. The Trusts do not have a formal capitalization threshold for determination of whether an item purchased is recorded as a fixed asset or is expensed. The Trusts' Auditor has used a threshold of \$1,000 in earlier years of the Audit Period and changed the threshold to \$3,000 per individual item in the later years of the Audit Period.

In addition to the fixed assets, the JSI purchased cellular telephones and iPads totaling \$34,000 for use by Trustees, Administrators, Advisors, and select employees. The cellular telephones and iPads are not capitalized on the Trusts fixed asset records as the individual items are not over the threshold amounts.

Exhibit II.6, below, shows the capital assets recorded by JSI. **Exhibit II.7** shows the capital assets recorded by the JTI.

Exhibit II.6, JSI Property and Equipment

Capital Asset	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014*
Computer Hardware	\$23,106	\$87,044	\$96,444	\$73,339	\$73,339
Accum. Dep. – Computer Hardware	(19,964)	(37,319)	(62,651)	(64,616)	(64,616)
Net Computer Hardware	3,141	49,725	33,794	8,723	8,723
Furniture and Equipment	63,230	63,230	63,230	63,230	63,230
Accumulated Depreciation	(55,870)	(57,182)	(58,495)	(59,807)	(59,807)
Net Furniture and Equipment	7,360	6,048	4,735	3,423	3,423
Training Equipment	435,565	588,041	152,476	152,476	152,476
Accum. Dep. Training Equip	(60,428)	(90,924)	(121,419)	(149,737)	(149,737)
Net Training Equipment	375,137	497,118	31,057	2,739	2,739
Total Net Property and Equipment	\$385,638	\$552,891	\$69,587	\$14,885	\$14,885

*Note: Property and Equipment amounts as of June 30, 2014, are the same as balances as of June 30, 2013, based on the Trust's general ledger. The balances are the same because the Trust's auditor updates the Property and Equipment balances each year during the annual audit. The Controller's Auditor was not provided the Trust's June 30, 2014, Audited Financial Statements because the financial statements were not finalized, as of the issuance of this report.

Exhibit II.7, JTI Property and Equipment

Capital Asset	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014*
Computer Hardware	\$113,653	\$177,592	\$180,948	\$186,842	\$186,842
Accum. Dep. Computer	(22,067)	(72,748)	(125,319)	(173,235)	(173,535)
Net Computer Hardware	91,587	104,844	55,629	13,607	13,307
Furniture And Equipment	22,356	22,356	22,356	22,356	22,356
Accum. Dep.	(6,275)	(9,552)	(12,828)	(16,105)	(16,105)
Net Furniture and Equipment	16,081	12,804	9,527	6,250	6,250
Training Equipment	152,476	152,476	152,476	152,476	152,476
Accum. Dep. Training Equip	(60,428)	(90,924)	(121,419)	(149,737)	(149,737)
Net Training Equipment	92,048	61,553	31,057	2,739	2,739
Total Net Property and Equipment	\$199,715	\$179,201	\$96,213	\$22,597	\$22,297

Note: Property and Equipment amounts as of June 30, 2014, are the same as balances as of June 30, 2013, based on the Trust's general ledger. The balances are the same because the Trust's auditor updates the Property and Equipment balances each year during the annual audit. The Controller's Auditor was not provided the Trust's June 30, 2014, Audited Financial Statements because the financial statements were not finalized, as of the issuance of this report.

Revenue

The Trusts have two main sources of income. The first source is contribution income from the LADWP. The second source is interest income on Certificates of Deposit held at various banks. As of June 30, 2014, the Trusts held Certificates of Deposit at 44 different financial institutions, totaling \$9.7 million.

Occasionally, the Trusts receive payments from Trustees, Administrators, or employees. During the Audit Period, the Trusts received such payments by individuals for the purchase of older iPads that were being replaced. However, the Trusts reported these receipts as a reduction in expenses. The total monies received by the Trusts for the iPad repurchases during the Audit Period was \$3,100.

Contributions to JSI

Article VIII of the JSI Trust Agreement states the LADWP shall contribute the sum of \$1.2 million to the JSI to be allocated to the fiscal year beginning July 1, 2000. This amount was to be for the start-up organizational, administrative, and operational costs and expenses of the JSI. The LADWP will contribute to the Trust Fund each fiscal year during the term of any collective bargaining agreement or memorandum of understanding between the LADWP and IBEW such sums as required by those Agreements. The Trust Agreement states that the annual contribution will be based on \$0.10 per labor hour worked by all LADWP employees.

Interest Income – JSI

As of June 30, 2014, JSI had \$1.1 million in certificates of deposit located at nine different financial institutions. These certificates of deposit have various interest rates ranging from 0.28% - 0.75%, and average 0.529%. **Exhibit II.8**, on the next page, summarizes the revenue for JSI by year during the period under audit.

Exhibit II.8, JSI Revenue and Revenue Ratios

Income	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014	Grand Total
Contribution Income	\$1,583,578	\$1,618,506	\$1,550,127	\$1,483,252	\$1,485,526	\$7,720,994
Contribution Income % of Revenue	96.8%	98.5%	98.6%	99.2%	99.4%	98.5%
Interest Income	52,027	24,479	22,116	12,119	8,530	119,272
Interest Income % of Revenue	3.2%	1.5%	1.4%	0.8%	0.6%	1.5%
Fiscal Year Totals	\$1,635,605	\$1,642,985	\$1,572,243	\$1,495,372	\$1,494,056	\$7,840,265

Contributions to JTI

Article VIII of the JTI Trust Agreement states the LADWP shall contribute the sum of \$2 million to the JTI to be allocated to the fiscal year beginning July 1, 2002, and shall contribute an additional \$2 million at the commencement of each of the following two fiscal years for a total contribution of \$6 million. This amount was to be used for the start-up organizational, administrative, and operational costs and expenses of the JTI and for its needs and operations during the period from execution through fiscal year 2005. The Trustees are required to annually advise the LADWP and IBEW of the Trust's annual budget to assist with negotiations. If the Trustees require additional funding, they may request the LADWP and IBEW to amend the Memoranda of Understanding to provide additional contributions. The LADWP will contribute to the Trust Fund each fiscal year during the term of any collective bargaining agreement or memorandum of understanding between the LADWP and IBEW such sums as required by those agreements. The Trust Agreement states that the annual contribution shall be equal to \$0.15 per labor hour worked by all LADWP employees.

Interest Income – JTI

As of June 30, 2014, JTI had \$8.6 million in Certificates of Deposit located at 42 different financial institutions. These Certificates of Deposit have various interest rates ranging from 0.20 percent to 0.75 percent, and average 0.353 percent.

Exhibit II.9, below, summarizes the revenue for JTI by year during the period under audit, while Exhibit II.10 notes combined JSI/JTI revenue.

Exhibit II.9, JTI Revenue and Revenue Ratios

Income	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014	Grand Total
Contribution Income	\$2,427,759	\$2,325,191	\$2,224,879	\$2,228,289	\$2,228,289	\$11,434,407
Contribution Income % of Revenue	95.6%	97.6%	98.4%	98.9%	98.9%	97.8%
Interest Income	113,052	57,403	36,411	25,831	25,706	258,403
Interest Income % of Revenue	4.4%	2.4%	1.6%	1.1%	1.1%	2.2%
Fiscal Year Totals	\$2,540,811	\$2,382,594	\$2,261,290	\$2,254,120	\$2,253,995	\$11,692,810

Exhibit II.10, Total JSI/JTI Revenue

Income	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014	Grand Total
LADWP Contributions to JSI	\$1,583,578	\$1,618,506	\$1,550,127	\$1,483,252	\$1,485,526	\$7,720,990
LADWP Contributions to JTI	2,427,759	2,325,191	2,224,879	2,228,289	2,228,289	11,434,407
Total Contributions from LADWP	4,011,337	3,943,697	3,775,006	3,711,541	3,713,815	19,155,397
JSI Interest Income	52,027	24,479	22,116	12,119	8,530	119,271
JTI Interest Income	113,052	57,403	36,411	25,831	25,706	258,403
Total Interest Income	165,079	81,882	58,527	37,950	34,236	377,674
Fiscal Year Totals	\$4,176,416	\$4,025,579	\$3,833,533	\$3,749,492	\$3,748,051	\$19,533,071

Expenses

The Trusts' expenses are categorized in the **Exhibits II.11 to II.14**. The transactions that underlie these expenses are accounted for by the Trusts' Management Analyst utilizing QuickBooks software. The checks are to be signed by two Trustees (one Union and one Employer) and electronic transactions are to be approved by two Trustees (one labor and one management). The Trusts maintain their financial records on the cash basis of accounting. The Trusts' Auditor will then make adjusting journal entries as part of the annual financial audit process. The Trusts' Auditor adjustments include accounting error corrections, the accrual of invoices applicable to a fiscal year that are paid in the following year (payables), capitalization of fixed assets from expense to assets, and depreciation expense. Amounts presented for fiscal year 2010 through 2013, below, reflect the Trusts' Auditor adjustments; however, amounts presented for fiscal year 2014 do not reflect these adjustments because the Trusts' Audit Reports have not been issued as of the date of this report. The Trusts' Auditor anticipates issuing their opinion on the financial statements for June 30, 2014, by April 30, 2015.

Some of the more significant expense categories are as follows:

- Training Expense – This category includes the costs associated with the Trusts' training programs, including instructor payments, materials, and meals served at trainings.
- Salary and Salary Reimbursement Expenses – This category includes both the portion of salaries that are paid directly by DWP and reimbursed by the Trusts to DWP; as well as the portion of salaries that are paid to employees (Administrators) directly by the Trusts.
- Professional Service Expense – This category includes fees for the management of the Trusts' CD portfolio as well as IT consultants.
- Conferences, Conventions and Meetings – This includes both conferences and trainings attended by Trustees, Advisors, Administrators, and employees of the Trusts, as well as related expenses such as meals, travel, and hotels.
- Auto Expense – This includes the monthly auto allowances paid to the Administrators, as well as charges on credit cards for vehicle related expenses, including gas and car washes.
- Lease Expense – This category includes two expenses. The first is the lease on the DWP facility occupied by the Trusts. The second is for the lease of office equipment (copy machine) from Canon.

Details specific to particular expense categories follow each exhibit.

Exhibits II.11, below, summarize expenses by category and by fiscal year for the JSI. In addition, **Exhibit II.12**, on the next page, summarizes the breakout of the ratios of expenses to total expenses.

Exhibit II.11, Joint Safety Institute – Expenses

Expense Category	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014	Grand Total
Auto Expense	\$12,507	\$13,208	\$22,087	\$25,172	\$23,022	\$95,996
Bank Charges	163	121	123	279	192	878
Classroom Supplies and Expenses	503	47,334	1,736	2,403	1,372	53,349
Conferences, Conventions and Meetings	21,404	64,941	47,281	52,572	43,602	229,800
Depreciation Expense	32,323	49,162	57,139	54,077	-	192,700
Equipment	4,200	13,921	7,702	15,963	8,099	49,886
Equipment Rental and Maintenance	3,464	12,139	10,846	8,418	10,391	45,258
Insurance Expense	7,953	11,200	12,455	14,692	11,076	57,376
Lease Expense	27,762	29,148	23,928	25,122	25,122	131,082
Legal & Accounting Fees	30,748	35,112	27,467	23,585	111,056	227,969
Marketing & Advertising	61,572	48,577	40,706	50,992	30,085	231,932
Office Expense	8,266	9,408	6,353	5,280	4,997	34,305
Other Expense	3,638	73,839	102,764	105,500	12,735	298,475
Professional Service Expense	2,460	69,343	90,899	133,524	129,072	425,298
Salary Expense	246,779	435,865	493,505	463,282	465,130	2,104,561
Salary Reimbursement Expense	306,429	183,717	196,033	205,622	195,198	1,087,000
Training Expenses	497,817	354,118	419,686	522,318	1,569,289	3,363,229
Total Expenses	\$1,267,986	\$1,451,155	\$1,560,711	\$1,708,801	\$2,640,440	\$8,629,094

Exhibit II.12, Expense Ratios (JSI)

Expense Category	As of June 30, 2010	% of Expenses	As of June 30, 2011	% of Expenses	As of June 30, 2012	% of Expenses
Auto Expense	\$12,507	1.0%	\$13,208	0.9%	\$22,087	1.4%
Bank Charges	163	0.0%	121	0.0%	123	0.0%
Classroom Supplies and Expenses	503	0.0%	47,334	3.3%	1,736	0.1%
Conferences, Conventions and Meetings	21,404	1.7%	64,941	4.5%	47,281	3.0%
Depreciation Expense	32,323	2.5%	49,162	3.4%	57,139	3.7%
Equipment	4,200	0.3%	13,921	1.0%	7,702	0.5%
Equipment Rental and Maintenance	3,464	0.3%	12,139	0.8%	10,846	0.7%
Insurance Expense	7,953	0.6%	11,200	0.8%	12,455	0.8%
Lease Expense	27,762	2.2%	29,148	2.0%	23,928	1.5%
Legal & Accounting Fees	30,748	2.4%	35,112	2.4%	27,467	1.8%
Marketing & Advertising	61,572	4.9%	48,577	3.3%	40,706	2.6%
Office Expense	8,266	0.7%	9,408	0.6%	6,353	0.4%
Other Expense	3,638	0.3%	73,839	5.1%	102,764	6.6%
Professional Service Expense	2,460	0.2%	69,343	4.8%	90,899	5.8%
Salary Expense	246,779	19.5%	435,865	30.0%	493,505	31.6%
Salary Reimbursement Expense	306,429	24.2%	183,717	12.7%	196,033	12.6%
Training Expenses	497,817	39.3%	354,118	24.4%	419,686	26.9%
Total Expenses	\$1,267,986	100.0%	\$1,451,155	100.0%	\$1,560,711	100.0%

Expense Category	As of June 30, 2013	% of Expenses	As of June 30, 2014	% of Expenses	Grand Total	% of Expenses
Auto Expense	\$25,172	1.5%	\$23,022	0.9%	\$95,996	1.1%
Bank Charges	279	0.0%	192	0.0%	878	0.0%
Classroom Supplies and Expenses	2,403	0.1%	1,372	0.1%	53,349	0.6%
Conferences, Conventions and Meetings	52,572	3.1%	43,602	1.7%	229,800	2.7%
Depreciation Expense	54,077	3.2%	—	0.0%	192,700	2.2%
Equipment	15,963	0.9%	8,099	0.3%	49,886	0.6%
Equipment Rental and Maintenance	8,418	0.5%	10,391	0.4%	45,258	0.5%
Insurance Expense	14,692	0.9%	11,076	0.4%	57,376	0.7%
Lease Expense	25,122	1.5%	25,122	1.0%	131,082	1.5%
Legal & Accounting Fees	23,585	1.4%	111,056	4.2%	227,969	2.6%
Marketing & Advertising	50,992	3.0%	30,085	1.1%	231,932	2.7%
Office Expense	5,280	0.3%	4,997	0.2%	34,305	0.4%
Other Expense	105,500	6.2%	12,735	0.5%	298,475	3.5%
Professional Service Expense	133,524	7.8%	129,072	4.9%	425,298	4.9%
Salary Expense	463,282	27.1%	465,130	17.6%	2,104,561	24.4%
Salary Reimbursement Expense	205,622	12.0%	195,198	7.4%	1,087,000	12.6%
Training Expenses	522,318	30.6%	1,569,289	59.4%	3,363,229	39.0%
Total Expenses	\$1,708,801	100.0%	\$2,640,440	100.0%	\$8,629,094	100.0%

Exhibit II.13, below, summarizes expenses by category and by fiscal year for the JTI. **Exhibit II.14**, on the next page, provides the breakout of the ratios of expenses to total expenses.

Exhibit II.13, JTI Expenses

Row Labels	As of June 30, 2010	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014	Grand Total
Auto Expense	\$23,659	\$26,070	\$37,708	\$44,348	\$40,425	\$172,209
Bank Charges	293	173	275	317	75	1,132
Classroom Supplies and Expenses	21,377	2,964	1,116	10,170	9,285	44,912
Conferences, Conventions and Meetings	27,520	49,230	41,682	65,667	7,652	191,750
Equipment	–	10,435	3,797	8,950	685	23,866
Equipment Rental and Maintenance	1,350	2,156	416	–	–	3,922
Insurance Expense	13,851	29,224	11,322	15,005	6,735	76,136
Lease Expense	27,762	29,148	23,928	25,122	23,029	128,989
Marketing & Advertising	–	3,022	125	225	588	3,960
Office Expense	6,190	9,060	5,633	6,408	4,836	32,127
Other Expense	1,655	4,247	1,167	2,157	1,594	10,818
Professional Service Expense	6,483	6,868	7,011	4,123	8,341	32,827
Repairs and Maintenance	3,411	11,989	8,766	7,366	10,510	42,043
Salary Expense	25,092	313,740	372,440	238,554	237,567	1,187,393
Salary Reimbursement Expense	765,421	541,859	631,440	740,486	687,434	3,366,640
Telephone	2,924	2,684	3,341	5,018	7,155	21,123
Training Expenses	879,885	659,989	685,838	511,472	397,598	3,134,782
Depreciation Expense	44,619	84,454	92,388	79,810	–	301,271
Legal & Accounting Fees	31,455	32,032	28,342	23,077	133,241	248,147
Total Expenses	\$1,882,946	\$1,819,343	\$1,956,736	\$1,788,273	\$1,576,749	\$9,024,046

Exhibit II.14, JTI Expenses Ratios

Expense Category	As of June 30, 2010	% of Expenses	As of June 30, 2011	% of Expenses	As of June 30, 2012	% of Expenses
Auto Expense	\$23,659	1.3%	\$26,070	1.4%	\$37,708	1.9%
Bank Charges	293	0.0%	173	0.0%	275	0.0%
Classroom Supplies and Expenses	21,377	1.1%	2,964	0.2%	1,116	0.1%
Conferences, Conventions and Meetings	27,520	1.5%	49,230	2.7%	41,682	2.1%
Equipment	–	0.0%	10,435	0.6%	3,797	0.2%
Equipment Rental and Maintenance	1,350	0.1%	2,156	0.1%	416	0.0%
Insurance Expense	13,851	0.7%	29,224	1.6%	11,322	0.6%
Lease Expense	27,762	1.5%	29,148	1.6%	23,928	1.2%
Marketing & Advertising	–	0.0%	3,022	0.2%	125	0.0%
Office Expense	6,190	0.3%	9,060	0.5%	5,633	0.3%
Other Expense	1,655	0.1%	4,247	0.2%	1,167	0.1%
Professional Service Expense	6,483	0.3%	6,868	0.4%	7,011	0.4%
Repairs and Maintenance	3,411	0.2%	11,989	0.7%	8,766	0.4%
Salary Expense	25,092	1.3%	313,740	17.2%	372,440	19.0%
Salary Reimbursement Expense	765,421	40.7%	541,859	29.8%	631,440	32.3%
Telephone	2,924	0.2%	2,684	0.1%	3,341	0.2%
Training Expenses	879,885	46.7%	659,989	36.3%	685,838	35.1%
Depreciation Expense	44,619	2.4%	84,454	4.6%	92,388	4.7%
Legal & Accounting Fees	31,455	1.7%	32,032	1.8%	28,342	1.4%
Total Expenses	\$1,882,946	100.0%	\$1,819,343	100.0%	\$1,956,736	100.0%

Expense Category	As of June 30, 2013	% of Expenses	As of June 30, 2014	% of Expenses	Grand Total	% of Expenses
Auto Expense	\$44,348	2.5%	\$40,425	2.6%	\$172,209	1.9%
Bank Charges	317	0.0%	75	0.0%	1,132	0.0%
Classroom Supplies and Expenses	10,170	0.6%	9,285	0.6%	44,912	0.5%
Conferences, Conventions and Meetings	65,667	3.7%	7,652	0.5%	191,750	2.1%
Equipment	8,950	0.5%	685	0.0%	23,866	0.3%
Equipment Rental and Maintenance	–	0.0%	–	0.0%	3,922	0.0%
Insurance Expense	15,005	0.8%	6,735	0.4%	76,136	0.8%
Lease Expense	25,122	1.4%	23,029	1.5%	128,989	1.4%
Marketing & Advertising	225	0.0%	588	0.0%	3,960	0.0%
Office Expense	6,408	0.4%	4,836	0.3%	32,127	0.4%
Other Expense	2,157	0.1%	1,594	0.1%	10,818	0.1%
Professional Service Expense	4,123	0.2%	8,341	0.5%	32,827	0.4%
Repairs and Maintenance	7,366	0.4%	10,510	0.7%	42,043	0.5%
Salary Expense	238,554	13.3%	237,567	15.1%	1,187,393	13.2%
Salary Reimbursement Expense	740,486	41.4%	687,434	43.6%	3,366,640	37.3%
Telephone	5,018	0.3%	7,155	0.5%	21,123	0.2%
Training Expenses	511,472	28.6%	397,598	25.2%	3,134,782	34.7%
Depreciation Expense	79,810	4.5%	–	0.0%	301,271	3.3%
Legal & Accounting Fees	23,077	1.3%	133,241	8.5%	248,147	2.7%
Total Expenses	\$1,788,273	100.0%	\$1,576,749	100.0%	\$9,024,046	100.0%

D. Contractual Services

The Trusts enter into various contracts for professional services to assist with their safety and training programs. For the period of July 1, 2009 through June 30, 2014, JSI spent \$3.1 million and JTI spent \$3.0 million on contractual services. The types of contracts that the Trusts have entered into include third-party training providers, training programs and materials, information technology-based service contracts, and meals provided during training. **Exhibit II.15**, on the next page, lists the professional contract services for JSI, and **Exhibit II.16**, following Exhibit II.15, lists the professional contract services for JTI during the Audit Period.

Exhibit II.15, JSI Professional Contract Services during Period of July 1, 2009 to June 30, 2014

Contractor Name	Contract Effective Dates	Contract Total Value	Total Amount Paid during Audit Period	Services Provided	Contract Change Order	Contract Renewal	Contract Documentation Notes
Safety Peak Performance, LLC	7/25/07 – 7/24/2011 6/1/11 – 5/31/14	\$475,000 per year \$475,000 per year	\$403,469 FY09/10 \$339,985 FY10/11 \$321,103 FY11/12 \$302,209 FY12/13 Total \$1,371,449	<ul style="list-style-type: none"> ■ Designed, developed, updated, and conducted one and two day safety workshops ■ Provided consulting services to the JSI 	No	Yes	\$50 per hour for roundtrip travel time from home to JSI Professional Liability Insurance reimbursed by JSI Minimum use clause of \$150,000
Ropes that Rescue, Ltd	6/25/2010 – No termination date	\$60,000 per year	\$56,500 FY10/11 Total \$56,500	<ul style="list-style-type: none"> ■ Provided training courses for high voltage transmission tower rescues to Overhead Transmission Section and Transmission Engineering employees 	No	No	
Caterpillar, Inc.	5/9/2013 – No termination date	\$57,900	\$28,950 FY13/14 Total \$28,950	<ul style="list-style-type: none"> ■ Administered Safety Perception Survey to \$9,000 LADWP employees 	No	No	Contract agreement states between Caterpillar Safety Services and LADWP
Electrolab	11/7/2012 – 11/6/2013	\$2800 per day and travel expenses	\$524,321 FY12/13 \$1,304,989 FY13/14 Total \$1,559,310	<ul style="list-style-type: none"> ■ Conducted Train-the-Trainer sessions for the following programs: <ul style="list-style-type: none"> □ SafeStart □ EAU ■ Conducted Steering Committee sessions 	No	Yes	Two contract agreements state between SafeStart Consulting Services and LADWP BOE notifies JSI that purchases for manuals, DVDs, and leader guides are subject to tax
Safety Results/ Safety in Motion	2007 – 2055 (Copyright expiration)	\$3,100 for Day 1 \$3,100 for Day 2 \$4,500 for licensing use of materials	\$49,361 FY09/10 \$21,212 FY11/12 \$32,718 FY12/13 Total \$103,311	<ul style="list-style-type: none"> ■ Provide licensed education and training system to reduce musculoskeletal pain or injury 	No	No	No payment terms in agreement No maximum contract value No City Business License
Webilent Technology Inc.	11/7/2011 – 9/1/2014	\$150,000 per year	\$40,460 FY11/12 \$7,476 FY12/13 \$88,312 FY13/14 Total \$211,010	<ul style="list-style-type: none"> ■ Provided secure technical services for development, maintenance, and security of the server ■ Technical support for computers, printers, scanners, learning management system, website, & database 	Yes; 2	Yes	Fully executed contract with Webilent signature missing from contract file
Video Services	3/1/11	\$2,770	\$2,679 FY10/11 Total \$2,769	<ul style="list-style-type: none"> ■ Provide live feed video and cameras for event 3/1/2011 	No	No	No City Business License

Exhibit II.16, JTI Contract Services Provided

Contractor Name	Contract Effective Dates	Contract Total Value	Total Amount Paid during Audit Period	Services Provided	Contract Change Order	Contract Renewal	Contract Documentation Notes
Martech Media, Inc.	4/7/10 – 4/6/12	\$50,000	\$22,557 FY09/10 \$26,791 FY10/11	<ul style="list-style-type: none"> ■ LMS and branded delivery access to 500 users ■ Computer based training and lessons on safety and communication topics ■ CBT License access 	Yes; 1	No	8 separate contracts over a 5 year period
	4/5/12 – 06/04/13	\$98,630	\$205,118 FY11/12				
	6/14/13 – 6/30/14	\$50,000	\$193,664 FY12/13 \$66,600 FY13/14				
	6/1/13 – 5/31/14	\$87,400	Total \$514,711				
	11/19/14 – 11/18/15	\$110,000					
	6/13/12 – 6/12/13	\$50,000					
	7/25/13 – 7/25/14	\$312,000					
	7/27/11 – 7/26/12	\$312,000					
Omega Health Systems, Inc.	10/16/13 – 10/16/16	\$216,231.50	\$0	<ul style="list-style-type: none"> ■ Software-based Ergonomics and Risk Management services ■ 4,000 licenses over 3-year period, plus associated PM, support and optional services 	No	No	
The Lewis Group	2/21/13 – 2/20/14	\$25,000	\$50,000 FY12/13 \$75,000 FY13/14	<ul style="list-style-type: none"> ■ Develop Integrated Human Resource Plan (IHRP) ■ IHRP Implementation Planning and Launch ■ Provides an IHRP process that will include IHRP Implementation Planning 	No	No	
	4/10/13 – 4/9/14	\$50,000	Total \$125,000				
	8/7/13 – 8/6/14	\$50,000					
Haig Barrett, Inc.	4/1/10 – No termination date	\$300,000	\$254,100 FY09/10	<ul style="list-style-type: none"> ■ Consulting service to improve web presence and customer communications in order to better manage customer expectations and complaints 	Yes; 1		No City Business License
		\$162,000	\$174,675 FY10/11 Total \$428,774				
Enterprise University	1/5/10 – 12/31/10	\$30,000	\$9,500 FY09/10 \$22,480 FY10/11	<ul style="list-style-type: none"> ■ Instructor-led classroom computer training services: <ul style="list-style-type: none"> ✓ Word ✓ Excel ✓ Outlook ✓ PowerPoint ✓ Access ✓ Microsoft Project ✓ Microsoft Office 	Yes; 3	No	Contract terminates automatically when expenditures reach maximum limit. 3 separate contracts
	2/22/11 – 2/21/12	\$40,000	\$25,400 FY11/12				
	3/25/13 – 3/24/14	\$40,000	\$19,313 FY12/13 \$22,240 FY13/14				
	3/25/14 – 3/24/15		Total \$98,933				

Contractor Name	Contract Effective Dates	Contract Total Value	Total Amount Paid during Audit Period	Services Provided	Contract Change Order	Contract Renewal	Contract Documentation Notes
Interliance Consulting, Inc.	9/8/09 – No termination date 4/9/10 – No termination date 6/8/10 – No termination date	\$80,000 \$228,480 per contract year \$346,500 per contract year	\$247,046 FY09/10 \$319,116 FY10/11 \$14,688 FY11/12 Total \$580, 850	<ul style="list-style-type: none"> Guides and performance evaluations for on-the-job Electrical Repairer Modules Change Order adds 2 additional modules 	Yes; 1	No	No contract termination date specified Fully executed contract: missing signatures from James McDaniel and Brian D'Arcy. No City Business License
Belisle & Associates	5/16/11 – 5/15/15	\$150,000 \$75,000	\$20,636 FY11/12 \$7,040 FY12/13 \$55,586 FY13/14 Total \$83,262	<ul style="list-style-type: none"> Instructor-led writing skills training program curriculum 	Yes; 1	Yes	
Joel A. Fadem & Associates, Inc. / Basin A Ventures, Inc	10/1/09 – 9/30/10 5/18/11 – 5/18/12 8/23/13 – 8/23/14 08/23/14 – 8/23/15	\$125,000 \$125,000 \$125,000	\$36,007 FY09/10 \$60,222 FY10/11 \$41,217 FY11/12 \$67,341 FY12/13 \$51,725 FY13/14 Total \$256,582	<ul style="list-style-type: none"> Training in Gain-Sharing and Meet & Confer Sessions Interest Based Bargaining Training classes Professional facilitation 	Yes; 1	Yes	Contract executed almost 9 months after contract start Contract does not specify any insurance requirements Change order executed after contract expiration No City Business License
3D Internet Inc.	10/10/11 – 10/9/12 9/17/13 – simulator completion date	\$220,000 \$390,000	\$160,000 FY11/12 \$8,000 FY12/13 Total \$168,000	<ul style="list-style-type: none"> 3D Transformer Simulator used for training on five different procedures Eight 3D simulators used for training 	No	No	
Steve Kaye	6/2/11 – 6/2/12	\$19,800	\$3,606 FY09/10 \$50 FY10/11 Total \$3,656	<ul style="list-style-type: none"> Meeting facilitation for one meeting on lessons learned, identifying improvements, and establishing agreements of improvements. 	No	No	
Regents of NM State University	7/26/11 – 9/26/11; extended to 12/31/12	\$5,521	\$8,459 FY11/12 \$4,243 FY12/13 Total \$12,702	<ul style="list-style-type: none"> Solar Photo Voltaic presentation of the National Electrical Code Article 690 and related NEC articles 	Yes; 2	Yes	Missing Change Order to Extend from 9/26/11 – 2/25/12.
Wachs Water Services	9/2/12 – 9/1/13 8/1/11 – 11/30/11	\$93,940 \$130,900	\$85,400 FY12/13 Total \$85,400	<ul style="list-style-type: none"> Customized "large valve" instructor-led classroom and in the field training at LADWP facilities Provide skill and gap study for Information Technology Services Division 	No	No	No City Business License Certificate(s) of Insurance missing from contract file
Coastal Training Technologies Corp	4/2/10 – 4/1/12	\$270,000	\$254,350 FY10/11 Total \$254,350	<ul style="list-style-type: none"> Online courses including basic skills, electric, and safety. 650 accesses Server setup Onsite training 	Yes; 1	Yes	No City Business License

E. Training Schedules

Exhibit II.17, JSI Training Schedule and **Exhibit II.18, JTI Training Schedule**, both beginning on the next page, were prepared based on course sign-in sheets provided by the Trusts. The Auditor transcribed the date of the course, the course name, the number of participants and the number registered to take the course, as well as the allotted time, instructor name, and location if available. The Trusts' informed the Auditor that the Trusts did not maintain a comprehensive list of courses held during the audit period.

According to the sign-in sheets, during the period of July 1, 2009 through June 30, 2014, JSI trained approximately 5,800 participants, exclusive of the Safe Start Training Program. According to JSI, over 6,800 DWP employees have been trained in the Safe Start Training program since its inception. Safe Start course sign-in sheets were not transcribed due to the extensive number of courses held.

According to the sign-in sheets, during the period of July 1, 2009 through June 30, 2014, JTI trained about 3,500 DWP employees.

Exhibit II.17, JSI Training Schedule

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Date	Course Name	# of Participants	# of Registered
7/6/2009	SIA100 - Safety Information and Action	27	29
7/7/2009	ERG100 - SRI Field Ergonomics	28	28
9/10/2009	STS100 - Safety Tour Skills	15	24
9/15/2009	SIA100 - Safety Information and Action	35	40
9/16/2009	SMS200 - Supervisor & Manager Safety	12	14
9/17/2009	ERG100 - SRI Field Ergonomics	20	22
9/18/2009	ERG100 - SRI Field Ergonomics	25	26
9/22/2009	SIA100 - Safety Information and Action	25	27
9/23/2009	IPI100 - Incident Prevention & Invest	13	14
9/23/2009	IPI100 - Incident Prevention & Invest	12	13
9/25/2009	ERG100 - SRI Field Ergonomics	26	26
10/6/2009	SIA100 - Safety Information and Action	8	13
10/7/2009	SMS200 - Supervisor & Manager Safety	28	31
10/8/2009	ERG100 - SRI Field Ergonomics	16	29
10/9/2009	ERG100 - SRI Field Ergonomics	22	22
10/14/2009	SIA100 - Safety Information and Action	25	25
10/15/2009	ERG100 - SRI Field Ergonomics	28	28
10/20/2009	ERG100 - SRI Field Ergonomics	16	16
10/21/2009	ERG100 - SRI Field Ergonomics	18	18
10/22/2009	ERG100 - SRI Field Ergonomics	22	33
10/23/2009	ERG100 - SRI Field Ergonomics	26	26
10/27/2009	SIA100 - Safety Information and Action	15	19
10/29/2009	ERG100 - SRI Field Ergonomics	18	18
10/30/2009	ERG100 - SRI Field Ergonomics	22	24
11/3/2009	SIA100 - Safety Information and Action	26	38
11/4/2009	SMS200 - Supervisor & Manager Safety	18	22
11/5/2009	ERG100 - SRI Field Ergonomics	24	24
11/17/2009	SIA100 - Safety Information and Action	15	19
11/18/2009	STS100 - Safety Tour Skills	11	13
11/19/2009	ERG100 - SRI Field Ergonomics	15	23
11/20/2009	ERG100 - SRI Field Ergonomics	25	25
12/1/2009	SIA100 - Safety Information and Action	10	13
12/2/2009	SIA100 - Safety Information and Action	25	27
12/3/2009	ERG100 - SRI Field Ergonomics	23	31
12/4/2009	ERG100 - SRI Field Ergonomics	22	22
12/8/2009	SIA100 - Safety Information and Action	11	11
12/9/2009	ERG100 - SRI Field Ergonomics	12	23
12/9/2009	SMS200 - Supervisor & Manager Safety	16	21
12/11/2009	ERG100 - SRI Field Ergonomics	25	26
12/15/2009	SIA100 - Safety Information and Action	7	13
12/17/2009	ERG100 - SRI Field Ergonomics	21	31
12/18/2009	Rev Meters Comm. Drivers & CPR, AED First Aid	15	16



Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
1/12/2010	SIA100 - Safety Information and Action	13	15
1/13/2010	SIA100 - Safety Information and Action	26	42
1/14/2010	ERG100 - SRI Field Ergonomics	26	26
1/15/2010	ERG100 - SRI Field Ergonomics	20	20
1/19/2010	SIA100 - Safety Information and Action	30	36
1/20/2010	SMS200 - Supervisor & Manager Safety	4	4
1/21/2010	ERG100 - SRI Field Ergonomics	18	33
1/29/2010	ERG100 - SRI Field Ergonomics	21	22
2/2/2010	SIA100 - Safety Information and Action	17	29
2/3/2010	SMS200 - Supervisor & Manager Safety	14	15
2/4/2010	ERG100 - SRI Field Ergonomics	17	21
2/5/2010	ERG100 - SRI Field Ergonomics	24	24
2/23/2010	SIA100 - Safety Information and Action	31	34
2/24/2010	ERG100 - SRI Field Ergonomics	21	30
2/26/2010	ERG100 - SRI Field Ergonomics	23	23
3/2/2010	SMS200 - Supervisor & Manager Safety	14	14
3/3/2010	SIA100 - Safety Information and Action	29	38
3/4/2010	ERG100 - SRI Field Ergonomics	13	15
3/5/2010	ERG100 - SRI Field Ergonomics	28	28
3/12/2010	ERG100 - SRI Field Ergonomics	20	20
3/16/2010	SIA100 - Safety Information and Action	24	30
3/17/2010	STS100 - Safety Tour Skills	20	22
3/18/2010	ERG100 - SRI Field Ergonomics	14	23
3/26/2010	ERG100 - SRI Field Ergonomics	24	24
3/30/2010	STS100 - Safety Tour Skills	9	23
3/31/2010	SIA100 - Safety Information and Action	23	34
4/1/2010	SMS200 - Supervisor & Manager Safety	15	20
4/2/2010	ERG100 - SRI Field Ergonomics	20	20
4/9/2010	ERG100 - SRI Field Ergonomics	15	15
4/13/2010	SIA100 - Safety Information and Action	31	34
4/15/2010	ERG100 - SRI Field Ergonomics	23	23
4/23/2010	ERG100 - SRI Field Ergonomics	26	26
4/28/2010	IPI100 - Incident Prevention & Invest	14	16
4/30/2010	ERG100 - SRI Field Ergonomics	21	21
5/4/2010	SIA100 - Safety Information and Action	25	31
5/5/2010	SMS200 - Supervisor & Manager Safety	16	17
5/6/2010	ERG100 - SRI Field Ergonomics	17	19
5/7/2010	ERG100 - SRI Field Ergonomics	20	20
5/18/2010	SIA100 - Safety Information and Action	31	40
5/21/2010	ERG100 - SRI Field Ergonomics	25	25
5/26/2010	ERG100 - SRI Field Ergonomics	26	26
5/27/2010	ERG100 - SRI Field Ergonomics	16	16

Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
6/8/2010	SIA100 - Safety Information and Action	11	16
6/9/2010	SMS200 - Supervisor & Manager Safety	11	12
6/10/2010	SBD100 - Safety by Design	31	32
6/11/2010	ERG100 - SRI Field Ergonomics	19	19
6/15/2010	STS100 - Safety Tour Skills	19	27
6/16/2010	ERG100 - SRI Field Ergonomics	15	19
6/24/2010	ERG100 - SRI Field Ergonomics	26	26
7/27/2010	ERG100 - SRI Field Ergonomics	20	20
7/28/2010	ERG100 - SRI Field Ergonomics	19	19
7/29/2010	ERG100 - SRI Field Ergonomics	19	19
8/4/2010	SBD100 - Safety by Design	32	34
8/5/2010	SBD100 - Safety by Design	30	35
8/27/2010	ERG100 - SRI Field Ergonomics	20	20
9/8/2010	SIA100 - Safety Information and Action	6	6
9/9/2010	ERG100 - SRI Field Ergonomics	26	26
9/14/2010	SMS200 - Supervisor & Manager Safety	22	33
9/15/2010	STS100 - Safety Tour Skills	20	27
9/16/2010	ERG100 - SRI Field Ergonomics	16	16
9/17/2010	ERG100 - SRI Field Ergonomics	18	18
9/28/2010	SIA100 - Safety Information and Action	29	38
9/30/2010	ERG100 - SRI Field Ergonomics	19	19
10/5/2010	SIA100 - Safety Information and Action	13	18
10/6/2010	SMS200 - Supervisor & Manager Safety	6	7
10/7/2010	ERG100 - SRI Field Ergonomics	19	19
10/8/2010	ERG100 - SRI Field Ergonomics	18	21
10/15/2010	ERG100 - SRI Field Ergonomics	14	17
10/19/2010	IPI100 - Incident Prevention & Invest	16	18
10/21/2010	ERG100 - SRI Field Ergonomics	16	16
11/2/2010	SIA100 - Safety Information and Action	29	35
11/3/2010	SMS200 - Supervisor & Manager Safety	20	25
11/4/2010	ERG100 - SRI Field Ergonomics	15	15
11/16/2010	STS100 - Safety Tour Skills	17	25
11/18/2010	ERG100 - SRI Field Ergonomics	12	13
12/1/2010	SIA100 - Safety Information and Action	34	41
12/7/2010	SIA100 - Safety Information and Action	25	37
12/8/2010	SMS200 - Supervisor & Manager Safety	21	30
12/9/2010	ERG100 - SRI Field Ergonomics	24	24
12/14/2010	SIA100 - Safety Information and Action	25	35
12/16/2010	SBD100 - Safety by Design	30	31
12/17/2010	SBD100 - Safety by Design	27	32
1/11/2011	SIA100 - Safety Information and Action	12	14
1/12/2011	SMS200 - Supervisor & Manager Safety	17	17

Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
1/13/2011	ERG100 - SRI Field Ergonomics	12	12
1/24/2011	SIA100 - Safety Information and Action	15	15
1/25/2011	SIA100 - Safety Information and Action	22	22
1/26/2011	STS100 - Safety Tour Skills	16	23
1/28/2011	ERG100 - SRI Field Ergonomics	17	17
2/8/2011	SIA100 - Safety Information and Action	10	14
2/17/2011	ERG100 - SRI Field Ergonomics	15	15
2/28/2011	SIA100 - Safety Information and Action	21	21
3/1/2011	SIA100 - Safety Information and Action	11	11
3/2/2011	SMS200 - Supervisor & Manager Safety	29	31
3/3/2011	ERG100 - SRI Field Ergonomics	21	21
3/15/2011	SIA100 - Safety Information and Action	35	43
3/16/2011	SMS200 - Supervisor & Manager Safety	28	34
3/17/2011	ERG100 - SRI Field Ergonomics	15	15
3/29/2011	SIA100 - Safety Information and Action	25	25
3/30/2011	STS100 - Safety Tour Skills	20	22
4/1/2011	ERG100 - SRI Field Ergonomics	25	25
4/12/2011	SIA100 - Safety Information and Action	16	16
4/13/2011	SMS200 - Supervisor & Manager Safety	11	11
4/14/2011	STS100 - Safety Tour Skills	15	15
4/19/2011	SIA100 - Safety Information and Action	30	39
4/20/2011	SMS200 - Supervisor & Manager Safety	11	14
5/3/2011	SIA100 - Safety Information and Action	29	42
5/4/2011	SBD100 - Safety by Design	26	27
5/5/2011	SBD100 - Safety by Design	21	22
5/16/2011	SIA100 - Safety Information and Action	35	35
5/17/2011	SIA100 - Safety Information and Action	27	40
5/18/2011	SMS200 - Supervisor & Manager Safety	11	21
5/19/2011	ERG100 - SRI Field Ergonomics	35	35
5/31/2011	STS100 - Safety Tour Skills	24	29
6/14/2011	SIA100 - Safety Information and Action	40	46
6/15/2011	SMS200 - Supervisor & Manager Safety	12	14
7/20/2011	STS100 - Safety Tour Skills	23	24
7/21/2011	STS100 - Safety Tour Skills	12	12
8/16/2011	SIA100 - Safety Information and Action	23	23
8/17/2011	ERG100 - SRI Field Ergonomics	23	23
9/13/2011	SIA100 - Safety Information and Action	26	40
9/14/2011	SMS200 - Supervisor & Manager Safety	31	31
9/15/2011	ERG100 - SRI Field Ergonomics	16	16
9/27/2011	SIA100 - Safety Information and Action	24	34
9/28/2011	SBD100 - Safety by Design	32	32
9/29/2011	SBD100 - Safety by Design	25	25

Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
9/30/2011	ERG100 - SRI Field Ergonomics	13	13
10/17/2011	ERG100 - SRI Field Ergonomics	22	25
10/18/2011	SIA100 - Safety Information and Action	30	38
10/19/2011	STS100 - Safety Tour Skills	15	19
10/20/2011	STS100 - Safety Tour Skills	21	30
11/1/2011	SIA100 - Safety Information and Action	23	36
11/2/2011	SMS200 - Supervisor & Manager Safety	3	5
11/3/2011	ERG100 - SRI Field Ergonomics	11	11
11/15/2011	SIA100 - Safety Information and Action	17	29
11/16/2011	SBD100 - Safety by Design	28	30
11/17/2011	SBD100 - Safety by Design	26	30
11/29/2011	SIA100 - Safety Information and Action	14	19
11/30/2011	SMS200 - Supervisor & Manager Safety	12	15
12/1/2011	ERG100 - SRI Field Ergonomics	18	21
12/6/2011	STS100 - Safety Tour Skills	10	14
1/10/2012	SIA100 - Safety Information and Action	26	31
1/12/2012	STS100 - Safety Tour Skills	16	16
1/18/2012	SIA100 - Safety Information and Action	18	21
1/19/2012	ERG100 - SRI Field Ergonomics	19	19
1/24/2012	SIA100 - Safety Information and Action	14	20
1/25/2012	ERG100 - SRI Field Ergonomics	20	20
1/26/2012	ERG100 - SRI Field Ergonomics	18	18
2/8/2012	SMS200 - Supervisor & Manager Safety	7	9
2/14/2012	SIA100 - Safety Information and Action	19	19
2/29/2012	SBD100 - Safety by Design	18	18
3/1/2012	SBD100 - Safety by Design	32	32
3/13/2012	SIA100 - Safety Information and Action	25	33
3/14/2012	SMS200 - Supervisor & Manager Safety	29	38
3/15/2012	ERG100 - SRI Field Ergonomics	23	23
3/27/2012	SIA100 - Safety Information and Action	26	36
3/28/2012	STS100 - Safety Tour Skills	18	19
4/3/2012	SIA100 - Safety Information and Action	15	18
4/4/2012	SIA100 - Safety Information and Action	31	31
4/5/2012	ERG100 - SRI Field Ergonomics	31	31
4/24/2012	SIA100 - Safety Information and Action	26	34
4/25/2012	SMS200 - Supervisor & Manager Safety	23	30
5/1/2012	SIA100 - Safety Information and Action	35	46
5/2/2012	SIA100 - Safety Information and Action	27	33
5/3/2012	SMS200 - Supervisor & Manager Safety	21	23
5/11/2012	STS100 - Safety Tour Skills	11	19
5/14/2012	SIA100 - Safety Information and Action	25	25
5/16/2012	SMS200 - Supervisor & Manager Safety	8	11

Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
5/17/2012	ERG100 - SRI Field Ergonomics	25	25
5/21/2012	SIA100 - Safety Information and Action	31	39
5/22/2012	SIA100 - Safety Information and Action	34	43
5/29/2012	SMS200 - Supervisor & Manager Safety	23	23
5/30/2012	SMS200 - Supervisor & Manager Safety	26	26
6/12/2012	SIA100 - Safety Information and Action	34	40
6/14/2012	ERG100 - SRI Field Ergonomics	22	22
6/15/2012	ERG100 - SRI Field Ergonomics	22	22
6/20/2012	ERG100 - SRI Field Ergonomics	22	27
6/21/2012	ERG100 - SRI Field Ergonomics	30	31
6/22/2012	ERG100 - SRI Field Ergonomics	7	21
6/25/2012	SMS200 - Supervisor & Manager Safety	15	20
6/26/2012	SMS200 - Supervisor & Manager Safety	26	32
6/27/2012	SIA100 - Safety Information and Action	20	20
7/12/2012	SIA100 - Safety Information and Action	36	45
7/16/2012	SMS200 - Supervisor & Manager Safety	29	34
7/18/2012	SIA100 - Safety Information and Action	37	47
7/19/2012	SIA100 - Safety Information and Action	32	43
7/23/2012	SMS200 - Supervisor & Manager Safety	24	32
7/24/2012	SIA100 - Safety Information and Action	13	33
7/25/2012	SMS200 - Supervisor & Manager Safety	30	32
7/26/2012	STS100 - Safety Tour Skills	12	16
8/21/2012	SIA100 - Safety Information and Action	20	20
8/22/2012	ERG100 - SRI Field Ergonomics	20	20
8/23/2012	SMS200 - Supervisor & Manager Safety	22	38
9/11/2012	SIA100 - Safety Information and Action	31	35
9/12/2012	SMS200 - Supervisor & Manager Safety	18	20
9/13/2012	ERG100 - SRI Field Ergonomics	18	28
9/18/2012	STS100 - Safety Tour Skills	17	21
9/19/2012	ERG100 - SRI Field Ergonomics	18	26
10/1/2012	SIA100 - Safety Information and Action	25	25
10/2/2012	SIA100 - Safety Information and Action	29	34
10/3/2012	SBD100 - Safety by Design	39	39
10/4/2012	SBD100 - Safety by Design	35	35
10/5/2012	ERG100 - SRI Field Ergonomics	25	25
10/15/2012	SIA100 - Safety Information and Action	29	32
10/16/2012	SIA100 - Safety Information and Action	26	34
10/17/2012	SMS200 - Supervisor & Manager Safety	24	29
10/18/2012	ERG100 - SRI Field Ergonomics	13	19
10/23/2012	ERG100 - SRI Field Ergonomics	17	19
10/24/2012	ERG100 - SRI Field Ergonomics	20	21
10/25/2012	ERG100 - SRI Field Ergonomics	17	19

Exhibit II.17, JSI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
10/29/2012	ERG100 - SRI Field Ergonomics	22	22
10/30/2012	ERG100 - SRI Field Ergonomics	20	20
11/1/2012	ERG100 - SRI Field Ergonomics	20	49
11/2/2012	SIA100 - Safety Information and Action	38	40
11/5/2012	SIA100 - Safety Information and Action	27	39
11/6/2012	SIA100 - Safety Information and Action	17	26
11/7/2012	SMS200 - Supervisor & Manager Safety	20	26
11/8/2012	STS100 - Safety Tour Skills	20	25
11/26/2012	SIA100 - Safety Information and Action	37	50
11/27/2012	ERG100 - SRI Field Ergonomics	14	21
11/29/2012	SIA100 - Safety Information and Action	29	45
12/13/2012	SIA100 - Safety Information and Action	12	17
1/24/2013	ERG100 - SRI Field Ergonomics	24	24
1/29/2013	ERG100 - SRI Field Ergonomics	20	20
3/21/2013	ERG100 - SRI Field Ergonomics	30	30
4/1/2013	ERG100 - SRI Field Ergonomics	16	16
4/17/2013	ERG100 - SRI Field Ergonomics	10	10
4/24/2013	ERG100 - SRI Field Ergonomics	9	9
5/1/2013	ERG100 - SRI Field Ergonomics	9	9
5/8/2013	ERG100 - SRI Field Ergonomics	6	6
8/7/2013	ERG100 - SRI Field Ergonomics	18	18
9/3/2013	ERG100 - SRI Field Ergonomics	14	14
9/10/2013	ERG100 - SRI Field Ergonomics	23	23
9/17/2013	ERG100 - SRI Field Ergonomics	20	20
9/18/2013	ERG100 - SRI Field Ergonomics	24	24
9/24/2013	ERG100 - SRI Field Ergonomics	23	23
10/1/2013	ERG100 - SRI Field Ergonomics	17	17
1/9/2014	ERG100 - SRI Field Ergonomics	24	24
Total Participants and Registrants		5,833	6,838

Exhibit II.18, JTI Training Schedule

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Date	Course Name	# of Participants	# of Registered
12/15/2009	MUG101 - Mutual Gains	32	35
12/16/2009	MUG101 - Mutual Gains	32	35
2/26/2010	POP101 - Powerpoint, Beginning	16	17
3/2/2010	MUG101 - Mutual Gains	22	22
3/3/2010	MUG101 - Mutual Gains	22	24
3/9/2010	MUG101 - Mutual Gains	32	33
3/10/2010	MUG101 - Mutual Gains	31	33
5/18/2010	MUG101 - Mutual Gains	34	34
5/19/2010	MUG101 - Mutual Gains	34	34
6/15/2010	MUG101 - Mutual Gains	27	30
6/16/2010	MUG101 - Mutual Gains	27	27
9/13/2010	WIN101 - Windows, Beginning	19	19
9/14/2010	MUG101 - Mutual Gains	35	38
9/15/2010	MUG101 - Mutual Gains	35	35
9/20/2010	WOR101 - Word, Beginning	19	19
9/27/2010	EXC101 - Excel, Beginning	17	19
10/4/2010	OUT101 - Outlook 2000	18	19
10/18/2010	WIN101 - Windows, Beginning	20	20
10/25/2010	WOR101 - Word, Beginning	20	20
10/26/2010	MUG101 - Mutual Gains	25	25
10/27/2010	MUG101 - Mutual Gains	25	25
11/1/2010	EXC101 - Excel, Beginning	18	24
11/4/2010	OUT101 - Outlook 2000	19	22
11/29/2010	WIN101 - Windows, Beginning	15	17
12/6/2010	WOR101 - Word, Beginning	16	17
12/13/2010	EXC101 - Excel, Beginning	14	17
12/14/2010	MUG101 - Mutual Gains	32	33
12/15/2010	MUG101 - Mutual Gains	32	32
12/20/2010	OUT101 - Outlook 2000	14	17
2/8/2011	MUG101 - Mutual Gains	29	32
2/9/2011	MUG101 - Mutual Gains	27	28
2/15/2011	MUG101 - Mutual Gains	26	30
2/16/2011	MUG101 - Mutual Gains	25	26
3/1/2011	MUG101 - Mutual Gains	33	37
3/2/2011	MUG101 - Mutual Gains	30	31
3/29/2011	MUG101 - Mutual Gains	35	36
3/30/2011	MUG101 - Mutual Gains	33	33
5/10/2011	MUG101 - Mutual Gains	30	33
5/11/2011	MUG101 - Mutual Gains	30	30
7/8/2011	Getting started with Windows	17	17
7/13/2011	WIN101 - Windows, Beginning	18	18
8/4/2011	WOR101 - Word, Beginning	18	18



Exhibit II.18, JTI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
8/5/2011	WOR101 - Word, Beginning	19	20
8/9/2011	MUG101 - Mutual Gains	29	29
8/10/2011	MUG101 - Mutual Gains	28	28
8/19/2011	EXC101 - Excel, Beginning	20	20
8/19/2011	EXC101 - Excel, Beginning	17	17
8/23/2011	MUG101 - Mutual Gains	28	30
8/24/2011	MUG101 - Mutual Gains	28	28
8/26/2011	OUT101 - Outlook 2000	18	19
9/2/2011	OUT101 - Outlook 2000	17	17
9/14/2011	WRB101 - Writing, Basic	23	23
9/20/2011	WRB102 - Writing, Business	23	23
9/23/2011	PRE101 - Proofreading & Editing	20	23
9/30/2011	WRB101 - Writing, Basic	35	35
10/11/2011	PRE101 - Proofreading & Editing	34	34
10/14/2011	WRB102 - Writing, Business	34	34
10/18/2011	MUG101 - Mutual Gains	28	31
10/19/2011	MUG101 - Mutual Gains	27	28
11/29/2011	MUG101 - Mutual Gains	21	23
11/30/2011	MUG101 - Mutual Gains	21	21
12/13/2011	POP101 - Powerpoint, Beginning	16	20
2/24/2012	MUG101 - Mutual Gains	23	23
2/28/2012	MUG101 - Mutual Gains	21	24
4/4/2012	WIN210 - Windows 7/Office 2010	12	14
4/4/2012	WIN210 - Windows 7/Office 2010	13	14
4/4/2012	WOR103 - Word, Advanced	9	9
4/10/2012	MUG101 - Mutual Gains	32	36
4/11/2012	MUG101 - Mutual Gains	32	32
5/10/2012	WIN210 - Windows 7/Office 2010	17	18
5/10/2012	WIN210 - Windows 7/Office 2010	19	19
5/24/2012	WIN210 - Windows 7/Office 2010	16	18
5/24/2012	WIN210 - Windows 7/Office 2010	18	18
7/10/2012	WOR101 - Word, Beginning	17	18
7/11/2012	EXC101 - Excel, Beginning	18	18
7/12/2012	ACC101 - Access, Beginning	20	20
7/24/2012	MUG101 - Mutual Gains	31	32
7/25/2012	MUG101 - Mutual Gains	31	31
7/31/2012	WOR102 - Word, Intermediate	15	18
8/1/2012	EXC102 - Excel, Intermediate	19	22
8/2/2012	ACC102 - Access, Intermediate	17	19
8/14/2012	WOR103 - Word, Advanced	16	16
8/15/2012	EXC103 - Excel, Advanced	18	19
8/16/2012	ACC103 - Access, Advanced	13	13



Exhibit II.18, JTI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
8/21/2012	MUG101 - Mutual Gains	27	32
8/22/2012	MUG101 - Mutual Gains	27	27
9/6/2012	MUG101 - Mutual Gains	15	15
9/11/2012	MUG101 - Mutual Gains	25	26
9/12/2012	MUG101 - Mutual Gains	25	25
10/23/2012	MUG101 - Mutual Gains	25	29
10/24/2012	MUG101 - Mutual Gains	25	25
12/11/2012	MUG101 - Mutual Gains	28	32
12/12/2012	MUG101 - Mutual Gains	26	26
3/5/2013	MUG101 - Mutual Gains	29	30
3/6/2013	MUG101 - Mutual Gains	26	26
3/19/2013	MUG101 - Mutual Gains	30	31
3/20/2013	MUG101 - Mutual Gains	28	28
4/30/2013	MUG101 - Mutual Gains	31	31
5/1/2013	MUG101 - Mutual Gains	30	30
5/20/2013	WRB101 - Writing, Basic	17	21
5/28/2013	MUG101 - Mutual Gains	24	30
5/29/2013	MUG101 - Mutual Gains	24	24
7/11/2013	PRO101- Project, Beginning	14	14
7/11/2013	PRO101- Project, Beginning	14	18
7/14/2013	PRO101- Project, Beginning	9	13
8/13/2013	MUG101 - Mutual Gains	29	30
8/14/2013	MUG101 - Mutual Gains	28	28
10/11/2013	WRT103 - Writing, Technical	22	23
10/21/2013	WRT103 - Writing, Technical	22	22
10/22/2013	PRO101- Project, Beginning	22	22
10/23/2013	PRO103 - Project, Advanced	22	22
10/23/2013	EXC102 - Excel, Intermediate	17	17
11/19/2013	MUG101 - Mutual Gains	25	30
11/20/2013	MUG101 - Mutual Gains	25	25
11/22/2013	WRB101 - Writing, Basic	15	17
12/1/2013	WRB101 - Writing, Basic	13	13
12/3/2013	EXC103 - Excel, Advanced	9	18
12/10/2013	WRB102 - Writing, Business	14	17
12/10/2013	MUG101 - Mutual Gains	29	31
12/11/2013	MUG101 - Mutual Gains	28	29
12/17/2013	WRB102 - Writing, Business	13	13
12/19/2013	VIS100 - Introduction to Visio	17	17
1/10/2014	PRE101 - Proofreading & Editing	12	17
1/14/2014	WRB104- Business English Boot Camp	29	34
1/27/2014	WRT103 - Writing, Technical	13	13
1/28/2014	WRB104- Business English Boot Camp	23	27

Exhibit II.18, JTI Training Schedule *(continued)*

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Date	Course Name	# of Participants	# of Registered
1/29/2014	PRE101 - Proofreading & Editing	13	13
2/5/2014	WRB104- Business English Boot Camp	23	34
2/11/2014	WRB104- Business English Boot Camp	26	29
2/11/2014	MUG101 - Mutual Gains	22	26
2/12/2014	MUG101 - Mutual Gains	22	22
2/24/2014	VIS100 - Introduction to Visio	17	17
3/10/2014	PRO101- Project, Beginning	11	12
3/12/2014	WRB104- Business English Boot Camp	26	39
3/25/2014	WRB104- Business English Boot Camp	19	23
3/25/2014	MUG101 - Mutual Gains	25	29
3/26/2014	MUG101 - Mutual Gains	25	25
3/31/2014	WRB101 - Writing, Basic	17	17
4/1/2014	WRB102 - Writing, Business	17	17
4/3/2014	WIN210 - Windows 7/Office 2010	6	10
4/3/2014	PRE101 - Proofreading & Editing	17	17
4/9/2014	SUP103 - Business Writing Boot Camp	27	30
4/16/2014	SUP103 - Business Writing Boot Camp	28	33
4/21/2014	WOR100 - Introduction to Word	10	13
4/22/2014	ACC101 - Access, Beginning	20	21
4/24/2014	EXC100 - Introduction to Excel	8	14
4/28/2014	POP100 - Introduction to PowerPoint	8	15
4/29/2014	SHP100 - Sharepoint Foundation 2010	11	16
4/29/2014	MUG101 - Mutual Gains	28	30
4/30/2014	SHP100 - Sharepoint Foundation 2010	9	16
4/30/2014	SUP103 - Business Writing Boot Camp	28	34
4/30/2014	MUG101 - Mutual Gains	28	29
5/12/2014	OUT100 - Introduction to Outlook	5	10
5/22/2014	PRE101 - Proofreading & Editing	21	24
5/27/2014	MUG101 - Mutual Gains	18	23
5/28/2014	MUG101 - Mutual Gains	18	23
5/29/2014	VIS100 - Introduction to Visio	8	11
6/24/2014	PRO103 - Project, Advanced	26	26
6/30/2014	PRO101- Project, Beginning	26	26
Total Participants and Registrants		3,505	3,787

III. Conclusions, Audit Findings, and Recommendations

A. Significant Findings

Finding A.1 Cash and Investment Balances Exceed the Trusts' Annual Budget Needs and Operations

The Trusts have accumulated approximately \$11.3 million in cash and investment balances as of June 30, 2014. The Trusts' average annual income for fiscal years 2010 through 2014 was approximately \$3.9 million, with average annual expenses of \$3.5 million, resulting in an increase in cash and investment balances of \$2 million since July 1, 2009. While each Trust operates separately, many of their operational expenses are shared, often split equally.

As of June 30, 2014, JSI had approximately \$2.057 million in cash and Certificates of Deposit which is a decrease from the prior year of approximately \$1.1 million and a decrease of \$1.3 million since June 30, 2010. JSI had annual average expenses of approximately \$1.7 million during fiscal years 2010 through 2014.

As of June 30, 2014, JTI had approximately \$9.280 million in cash and certificates of deposit which is an increase from the prior year of approximately \$677,000 and an increase of \$2.3 million in cash and investment balances since June 30, 2010. Since June 30, 2010, cash and investment balances have increased on average about \$583,000 per year. JTI had annual average expenses of approximately \$1.8 million during fiscal years 2010 through 2014.

The Trusts are funded annually from two primary sources of income. Contributions from LADWP based on Article VIII, Section 1, of the Trusts' agreements, representing approximately 98 percent of the Trusts income. The remaining 2 percent is from interest income from the Trusts' investments. The Trusts had an average combined income of approximately \$3.9 million based on the formula within the Trusts' Agreements. The net change in cash and investments from July 1, 2009 to June 30, 2014 was \$2 million.

Article VIII, Section 1 of the Trust Agreements describes the contributions to the Trusts "...to provide for the start-up organizational, administrative, and operational costs and expenses..." The JTI agreement goes further and states, "The Trustees shall annually advise LADWP and IBEW-Local 18 of the Trust's annual budget to assist those parties in their negotiations." Article VIII, Section 2, of the Trust Agreements indicates that LADWP shall contribute to the Trusts each year. However, Article VIII, Section 3, of the Trust Agreements states that, "Nothing herein shall be construed as requiring the LADWP to make any particular amount of contributions, or any contributions whatsoever."

The Trust Agreements provide in Article IX, Section 1, "... that the funds shall be held by the Trustees, and administered, applied and disposed of by the Trustees . . ." Furthermore, the Trust Agreements in Article IX, Section 6, provide that the Trustees have the right to invest and reinvest part of the funds at their discretion, implying that not all funds need to be expended. More explicitly, the Trust Agreements Article X, Section 1, states that the "Title to the Fund shall be vested in, and remain exclusively in the Trustees", and that the Trusts shall be irrevocable (Article X, Section 2).

In addition, the JSI Agreement in Article XI, Section 11 and the JTI Agreement in Article X, Section 11 say, "The LADWP shall not be liable for any payment to the Trust or Fund except as it has agreed in another writing to pay. The LADWP shall not have any right to the return of any money due and paid by said contributor [or other sources] into the Trust Fund." These Articles go on to indicate that in the event of a termination of the Trusts, any funds remaining in the Trusts shall be used for the purposes of the Trusts, and shall not revert to the DWP or Local 18.

Per a City Attorney Legal Opinion (Opinion No. 13:2), dated November 12, 2013, LADWP revenues are considered public funds in accordance with the City Charter. The Opinion goes on to state that the transfer of funds by LADWP to the Trusts, in and of itself, is not an authorized expenditure. The Trusts hold those funds

transferred for eventual expenditure for one or more of the purposes authorized by the City Charter. Public funds provided by LADWP to the Trusts for enhancing employee safety and training retain their character as public funds even after they are received by the Trusts, notwithstanding any provisions of the Trusts. While Section X, Section 1, of the Trust Agreements says, "Title to the Fund shall be vested in, and remain exclusively in the Trustees." Also, Section X, Section 2, says, "This Trust shall be irrevocable and the Fund shall be administered for the sole purpose as provided hereunder." The Legal Opinion states that despite the language in the Trust Agreements, "...the City Charter makes it eminently clear that LADWP funds cannot legally be transferred to the Trusts unless they are to be expended for an authorized purpose. The transfer to the Trusts does not constitute an expenditure in that sense, since it is merely a transfer of funds to be subsequently used for an authorized purpose."

The training and safety needs of LADWP labor have been established each year at a Board of Trustees Strategic Planning meeting. The Strategic Plan sets forth the training and safety programs for the year and assists in establishing the budget. The Trusts have conducted the training in accordance with the Strategic Plans and expended funds to carry out the programs. The Board of Trustees have monitored spending of the Trusts at their meetings based on financial reports prepared by the Trusts Management Analyst with input from the Administrators.

While the Trusts have been funded in accordance with the Trust Agreements, and the Trusts have prepared a budget for training each year, which is approved by the Board of Trustees, the overall cash and investment balances have increased because the funding formula in the Trust Agreements has been used for the calculation of the LADWP contribution to the Trusts without consideration of the budgetary needs of the Trusts.

Based on the City Attorney's Opinion, LADWP funds retain their character as public funds until the time of the ultimate expenditure for an authorized purpose. The primary effect of the application of the funding formula without considering the training needs has meant that rate payers have funded cash and investment reserves for the Trusts.

Recommendation:

LADWP and IBEW should revise the agreements to require the Trusts to utilize and deplete their existing cash and investment balances to meet the Trusts' needs before any additional public funds are transferred to the Trusts. Funding by LADWP of the Trusts should be evaluated annually based on the Strategic Plan and Annual Budget developed jointly by Labor and Management Trustees. On an annual basis, the results of the training and safety programs should be evaluated to determine the necessary level of funding for the Trusts each year.

Finding A.2 Auto Allowance Compliance and Unreported Income to the Internal Revenue Service

The Trusts are not in compliance with Internal Revenue Service (IRS) requirements resulting in unreported income for employees who use their personal automobile for Trust business. All Trust Administrators receive an auto allowance of \$500 per month if they utilize their personal automobile for Trust business. The JSI/JTI Transportation Policy ("Policy") says that the Administrators are entitled to the auto allowance if they use their own vehicle. In addition, to the \$500 per month for auto allowance, the Administrators also have a Trust credit card, which they use for various purposes including, gas for their personal auto. The Transportation Policy does not define that the auto allowance will cover auto expenses other than gas for personal automobiles. While the auto allowance has been reported on either a Form 1099 MISC or a Form W-2 to the Administrators as reportable income; the gasoline and other auto expenses, such as parking and car washes, purchased on Trust credit cards have not been reported as income to the Administrators.

For the audit period of July 1, 2009 through June 30, 2014, the Administrators individually used the credit cards for auto-related expenses that was not reported to the IRS as employee income totaling \$28,649 for JSI and \$58,115 for JTI. As referenced in finding A.6, one Administrator received over \$30,000 in unreported income over this time period.

IRS Code Section 1.62(c)(1) provides the requirements for employee business expenses. There are two types of methods allowed by the IRS for money received by employees for the use of a personal auto for business purposes. The first method is an accountable plan, whereby the employee must provide a detailed accounting of business use of the personal automobile, and the employer then reimburses the employee for the detailed expenses. The second method, which is utilized by the Trusts, is through an expense allowance. Under the expense allowance method, the employee gets an amount from the employer without the employee being required to provide a detailed accounting of the actual business use of the automobile. Under the expense allowance method, the employer is required to report the amount received as income on the employees Form W-2.

The Policy is not clear as to which automobile expenses are covered by the automobile allowance, and Administrators indicated that the credit cards may be used for gas and other business-related expenses of the Trusts. Administrators also indicated that the \$500 per month is not sufficient to cover their automobile expenses. The Policy indicates that the monthly amount is to be adjusted annually, but the amount of \$500 did not change during the 5-year period covered by the audit. In addition, the Trusts were not aware of the IRS employee accountable plan rules.

Recommendation:

The Trusts should amend employees' Form W-2 for past years for the amount of automobile expenses that were purchased by the Trusts' credit cards on behalf of the Administrators and employees. In addition, the Trusts should revise the Transportation policy to clearly identify what it covers and what it does not cover, to ensure compliance with IRS regulations.

Finding A.3 Safe Start Train-the-Trainer Compensation Compliance Issue

JSI did not comply with the Trust Agreement by paying LADWP employees compensation to conduct training sessions under the Safe Start Program. With the commencement of Electrolab's Train-the-Trainer program, JSI began the Safe Start program in 2013 and conducted 660 training sessions through June 30, 2014. Approximately, 110 LADWP employees served as Safe Start Program Trainers at LADWP, and about 6,800 LADWP employees have been trained under this program since its inception.

Article IX, Section 4, of the Trust agreement says, "The Trustees are authorized to pay for all costs of the Safety Programs, except that in no event shall employees or managers of the IBEW or the LADWP receive compensation from this Trust for their attendance at programs or participation in the programs."

JSI has paid LADWP employees over \$560,400 from the inception of the program through June 30, 2014. Each Trainer was paid \$200 per session and the compensation paid to the LADWP employees was reported by JSI to the IRS on a Form 1099-MISC. On average, the employees were paid \$5,100 and led an average of 24 training courses. JSI believed that they could pay LADWP employees because the money was to compensate the employees for the time spent preparing to teach the courses, which was to be done on the employees' own time. However, it is unclear as to how much time is necessary to prepare to teach these courses, or how much repeat preparation is required after the first course has been taught.

The time spent by LADWP employees teaching the courses should be, and is, included in the employees' normal pay, and by receiving compensation from the Trust, LADWP employees for participation in programs does not comply with the Trust agreement.

Recommendation:

LADWP and the Trusts' should determine the appropriateness of compensating LADWP employees for their participation in training programs and determine the appropriate remedy. If it is determined to be appropriate, then the Trust Agreement should be revised to address compensation for such Trainers.

Finding A.4 Questionable Expenditures on Meetings and Conferences Attendance

The Trusts did not always document the approvals for conference attendance and travel as required by the Joint Training/Joint Safety Travel Policy. While the Trusts have a travel policy, neither the JSI nor JTI have formal expense reporting policies for expenses incurred at conferences and meetings.

Conferences and meetings have been attended by Trustees, Administrators, Trusts’ employees and LADWP employees. Per the Auditor’s interviews with Trustees and Administrators, conferences are researched by Administrators and brought to the Board of Trustees for approval; however, this is not a formally documented policy to demonstrate the importance of the meeting or conference attendance. In addition, formal approval of conference attendance is not always documented in the Board of Trustees’ meeting minutes, nor are names documented formally for purposes of appropriately approving travel in accordance with the Trusts’ Travel Policy.

Exhibit III.1, below, summarizes the total conference, meeting and travel related expenses for the audit period. Approximately, \$421,550 was spent during the five-year period which averages to \$84,310 spent annually on conferences, meetings, and travel.

Exhibit III.1, Total Conference, Meeting, and Travel Related Expenses by Trust

Trust	FY09/10	FY10/11	FY11/12	FY12/13	FY13/14	Total
JSI	\$21,404	\$64,941	\$47,281	\$52,572	\$43,602	\$229,800
JTI	\$27,520	\$49,230	\$41,682	\$65,667	\$7,652	\$191,750

The Controller’s Auditor sampled four out of the 22 of conferences attended within the five-year audit period. Two randomly selected conferences, the EPRI Conference in February 2011 and the Safety Summit/ Strategic Planning Meeting in June 2011, were not discussed nor approved in the Board of Trustee meeting minutes. The Controller’s Auditor also selected two conferences discussed and approved at Board meetings according to meeting minutes (NACE Conference in August 2012 and NACE Conference in November 2012). Both conferences were given approved expense caps, but no other specifics were noted. Relevant information not evident in the meeting minutes provided include: purpose or reason attendance will benefit the Trusts, number of conference/meeting participants, process for selection of participants, and applicable travel policies. The Trusts indicated that meetings and conferences (numbers and names of participants, travel details, and event selection) are informally discussed both during and outside of board meetings, and thus, would not always appear in meeting minutes.

Our review of invoices for one of the conferences disclosed several payments to Embassy Suites Mandalay Beach Resort in Oxnard, California. The conference was an internal planning meeting called the Safety Summit, and it was held June 28 to 30, 2011, and the Trusts paid for 19 hotel rooms – totaling 36 nights, and rental of conference space for two days. The rooms were for Trustees, Administrators, Advisors, and employees of the Trusts. The total cost of this meeting was nearly \$25,000 (combined JTI/JSI). Given the close proximity of the Safety Summit to the Trusts’ Offices and Training rooms it is unclear why an external hotel was used for the two-day meeting of 19 people.

The City’s Auditors reviewed the total expenses associated with the other 18 conferences not tested above, and noted that while the Trusts provided the Auditors a total number of attendees to each, they would not provide the individual names.

The Trusts do not have formal policies and procedures to document conference and meeting attendance and the importance and/or need for participation in such conferences. In addition, there are no procedures in place to ensure that the Travel Policy is adhered to or that travel is documented. Lack of policies and procedures can lead to potential abusive transactions related to conferences, meetings and travel.

Recommendation:

Adopt a formal policy to document specifics regarding conference and meeting attendance. In addition, develop procedures to ensure adherence to the policies in place and ensure periodic supervisory review to monitor policy compliance.

Finding A.5 Lack of Competitive and Formal Procurement Practices

There is no evidence that contracts are established to obtain the best value or lowest price. The Trusts renewed Contracts and/or executed Change Orders without following LADWP or industry-standard competitive bidding practices. In **Exhibits III.2** and **III.3**, below, the Controller’s Auditor identified nineteen instances where JSI and JTI issued a new contract when a contract expired, or executed a change order, without going to the marketplace to obtain competitive bids.

The Trusts spent an average of \$1,236,000 each year during the audit period on contractual services. The Trusts entered into 19 non-competitively bid contracts, including some contracts with change orders, totaling over \$17.1 million during fiscal years 2010 through 2014.

The Trusts’ did not follow a formal, documented procurement process for contracted goods and/or services. Per interviews with JSI and JTI Trustees and Administrators, Trusts’ Administrators research and present vendor options based on safety and training needs identified by Trustees. The Administrators also explained that they presented the results of their research to the Board of Trustees for approval.

Without proper policies and procedures surrounding contract procurement and over credit card purchases, we cannot assess the appropriateness and reasonableness of expenses incurred.

The Trusts have failed to exercise reasonable management oversight and to apply adequate management controls within the procurement process. Per Administrators, the Trusts have not utilized a formal procurement process or competitive bidding for contract procurement. In addition, the Trusts have not formally documented cost reasonableness analyses and pricing comparisons.

Recommendation:

The Trusts should document and implement clear policies and procedures for competitive bidding, exercising controls on contract options, and when to re-bid contracts.

Exhibit III.2, JSI Contract Renewals and Change Orders to Extend Contracts

Contractor Name	Contract Effective Dates	Contract Total Value	Contract Change Order	Contract Renewal
Safety Peak Performance, LLC	7/25/07 – 7/24/11 6/1/11 – 5/31/14	\$475,000 per year \$475,000 per year	No	Yes
Electrolab	11/7/12 – 11/6/13	\$2800 per day and travel expenses	No	Yes
Webilent Technology Inc.	11/7/11 – 9/1/14	\$200,000 per year	Yes; 1	Yes

Exhibit III.3, JTI Contract Renewals and Change Orders to Extend Contracts

Contractor Name	Contract Effective Dates	Contract Total Value	Contract Change Order	Contract Renewal
Martech Media, Inc. (multiple contracts)	4/7/10 – 4/6/12	\$1,00,000	Yes; 1	No
	4/5/12 – No termination date	\$98,630		
	6/14/13 – No termination date	\$50,000		
	6/1/13 – 5/31/14	\$87,400		
	11/19/14 – 11/18/15	\$110,000		
	6/13/12 – 6/12/13	\$50,000		
	7/25/13 – 7/25/14	\$312,000		
	7/27/11 – 7/26/12	\$312,000		
Haig Barrett, Inc.	4/1/10 – No termination date	\$300,000	Yes; 1	No
Enterprise University	1/5/10 – 12/31/10	\$30,000	Yes; 3	No
	2/22/11 – 2/21/12	\$40,000		
	3/25/13 – 3/24/14	\$40,000		
Interliance Consulting, Inc.	9/8/09 – No termination date	\$80,000	Yes; 1	No
	4/9/10 – No termination date	\$228,480 per contract year		
	6/8/10 – No termination date	\$346,500 per contract year		
Belisle & Associates	5/16/14 – 5/15/15	\$75,000	Yes; 1	Yes
Joel A. Fadem & Associates, Inc. / Basin A Ventures, Inc	10/1/09 – 9/30/10	\$500,000	Yes; 1	Yes
	8/23/13 – 8/23/14	\$125,000		
Regents of NM State University	7/26/11 – 9/26/11; extended to 12/31/12	\$5,521	Yes; 2	Yes
Coastal Training Technologies Corp	4/2/10 – 4/1/11	\$135,000	Yes; 1	Yes

Finding A.6 Lack of Credit Card Expenditure Documentation and Extensive Usage

The Trusts had approximately 19 credit cards at various times during the five-year audit period. Administrators and each of the three administrative staff assigned to the Trusts had Trust credit cards assigned to them. See **Exhibit III.4**, on the next page, for year-over-year analysis of credit card spending. During the inspection of credit card transactions, the following items were noted:

Exhibit III.4, Credit Card Charges

	2010	2011	2012	2013	2014	Grand Total
JSI	41,290	60,410	72,840	79,455	49,710	303,706
JTI	52,959	83,042	60,722	120,615	46,414	363,753
TOTAL	94,249	143,452	133,562	200,070	96,124	667,459

- From July 1, 2009 through June 30, 2014, the Trusts used the credit cards for a significant amount of purchases. JSI purchased over \$303,000 with 11 different credit card users, and JTI purchased over \$363,000 with 8 different credit card users.
- Credit cards were used for conference registrations, air travel, hotel, meals, office supplies, computer equipment, training materials, and gasoline.
- Administrators used credit cards to purchase gas for their personal automobiles resulting in unreported income because the Trusts' did not report the purchases on the employees' W-2s. The gas charges totaled \$28,649 for JSI and \$58,114 for JTI during July 1, 2009 to June 30, 2014.
- There were undocumented patterns of purchases based on the detailed transactions. For instance, one Administrator purchased over \$30,000 in gasoline during the audit period.
- No pre-authorization forms were completed for travel expenses, specifically credit card expenses, as required by policy.
- During the period of June 30, 2013 through June 30, 2014, credit card charges dropped dramatically as noted in Exhibit III.3 above. It is unclear if the announcement of the Controller's audit had any impact on what caused such a reduction in credit card charges.
- During a detailed review of specific expenses, requested by the City Controller's office, it was noted that several expenses charged to credit cards lacked supporting receipts. Those charges were:
 - Purchase at Target on 10/31/13 for \$148.19
 - Purchase at Amazon on 2/4/13 for \$78.44
 - Bed Bath and Beyond on 1/3/13 and 2/21/12
 - Verizon Wireless on 10/9/12
 - Prime Steakhouse on 6/29/11 for \$1,353.88
 - Collectors Display Case on 6/15/11 for \$699.86

It is noted that these appear to be exceptions, as it was generally found that the credit card statements had supporting invoices for the charges we inquired about.

The Trusts do not have a formal policy regarding credit card issuance and appropriate usage. Due to the lack of a credit card policy, there is no guidance to employees for allowable credit card purchases. In addition, the Trusts' Travel Policy states that employees must complete a pre-authorization travel form and receive approval prior to travel. Without approval of credit card expenses, there is no way to determine if costs were appropriate, reasonable, and approved.

In addition, the use of credit cards can circumvent procurement policies because purchases can be made without proper authorization.

Recommendation:

The Trusts should establish effective controls over credit card usage by implementing a credit card policy. In addition, the Trusts should establish effective lines of approval over credit card purchases. Travel expenses should be pre-approved by proper individual(s) by utilizing the pre-authorization form.

Other Findings

B. Internal Controls

Finding B.1 Lack of Policies and Procedures

The Trusts lack sufficient formal policies and procedures to provide proper internal controls over financial operations to safeguard assets. Currently, the Trusts have the following written policies in place:

- JSI/JTI Transportation Policy
- Joint Training/Joint Safety Travel Policy
- July 2013 Travel Policy for Traveling on Behalf of Joint Safety Institute (Policy Has Not Been Approved)
 - Travel Authorization Form
 - Conference Summary Form
- Local 18, IBEW-LADWP Joint Training Institute Document Retention and Destruction Policy
- Local 18 IBEW – LADWP Joint Safety Institute/Joint Training Institute Investment Policy
- Local 18, IBEW-LADWP Joint Training Institute Conflict of Interest Policy
 - Disclosure Statement
- Local 18, IBEW-LADWP Joint Safety Institute Conflict of Interest Policy
 - Disclosure Statement
- Local 18, IBEW-LADWP Joint Training Institute Whistleblower Policy

Tone at the Top is defined as “The organizational tone set by senior management to effectively meet an organization’s goals and objectives. Strong tone at the top is set by establishing clear policies including a code of ethics, demonstrating expected behaviors, a commitment to hiring competent employees, etc.”

The policies listed above have many good elements setting the Board of Trustees’ “Tone at the Top,” however, many of the requirements identified in the policies have not been followed, resulting in questionable costs for transportation and travel. In addition, the Trusts do not have formal policies over other critical aspects of the internal control environment and there are no procedures in place to guide employees as they carry out daily, monthly, quarterly and annual activities. For instance, there are no formal policies adopted by the Board of Trustees to address business and personal use of the following:

- Cellular telephones and iPads
- Credit Cards
- Conference, Convention and Meeting Attendance.

Additionally, there are no written policies adopted by the Board of Trustees to address Board Governance and internal controls, and there are no written financial procedures in the following areas:

- Financial Reporting
 - Monthly and Annual Closing Procedures
 - Budgeting Process
- Revenue and Expenses
 - Recognition Policy
 - Cash Receipts and Deposit Policy
 - Invoice Approval and Processing

- Cash Disbursements
- Petty Cash
- Employee Expense Reimbursements
- Fixed Assets
 - Capitalization Policy
 - Physical Security
- Internal Controls
 - Approvals
 - Segregation of Duties
 - Physical Security

Without formal policies and procedures to provide direction to employees, there is increased risk of poor internal control practices, errors, and an increased potential for fraud, waste and abuse of funds occurring without detection. The lack of formal policies and procedures have led to the lack of documented approvals of the Board of Trustees or Administrators over transactions such as conferences and meetings, and the procurement of goods and services. In addition, a significant number of credit card transactions have occurred with little documentation of oversight by the Board of Trustees.

Based on interviews conducted, the Trusts were not aware of the importance of formal policies for the employees to safeguard assets, public funds, and to provide direction for financial activities. Internal control practices recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provide that organizational governing bodies (Board of Trustees) should provide for the principles of the control environment by establishing policies. COSO further indicates that the control activities are to be established through the deployment of policies and communicated to employees with documented procedures.

Recommendation:

The Board of Trustees, in collaboration with the Trusts' Administrators and employees, should develop formal policies and formally approve such policies at a Board of Trustees meeting. In addition, the Administrators of the Trusts should develop formal procedures to follow and document the activities and internal control practices developed by policies developed by the Board of Trustees.

Finding B.2 Lack of Fixed Asset Records

The Trusts do not maintain fixed asset records to support balances reported on the audited financial statements and Form 990. The Trusts' auditors maintain the fixed asset records on a summary level and update them each year when performing their audit field work. The auditors update the records based on the fixed assets purchased annually by the Trusts by performing an expense analysis to reclassify items from expenses to fixed assets. The auditors also remove assets disposed of throughout the years based on interviews with the Trusts' Management Analyst. Fixed assets owned by the Trusts are not tagged to identify them as assets of the Trusts, nor is there any detail kept itemizing how many of each item exists that makes up the Trusts' Auditor's summary records.

The Trusts own and maintain furniture, office equipment, computer equipment, and training equipment. The total costs equates to approximately \$289,000 for JSI and \$361,000 for JTI.

The Trusts separately track iPads and cellular telephones, but do not track other fixed assets. Also, the Trusts do not have a policy requiring the capitalization and the maintenance of fixed asset inventory records. The Trusts' auditors have said that at different periods, they have used both \$1,000 and \$3,000 as the capitalization threshold as they update the fixed asset records each year.

Best business practices and internal control practices dictate that detailed fixed asset records are necessary to support financial statement balances and to provide safeguards to prevent theft or misuse of assets. Without a policy to provide accountability and records to track fixed assets, potential loss or theft of assets could occur without detection by the Trusts' management.

Recommendation:

The Trusts should establish a policy to track and maintain records of fixed assets. Procedures should also be developed to provide guidance on the documentation of the fixed asset inventory. In addition, the fixed assets of the Trusts should be identified with asset tags to indicate that they are property of the Trusts.

Finding B.3 Lack of Cellular Telephone, Data, and iPad Policies

The Trusts do not have formal policies for distribution and use of iPads and cellular telephones by JSI and JTI employees. In 2011, the Trusts collectively purchased 18 iPads at total cost of \$18,562. In 2013, these devices were replaced with 20 iPad Minis at a cost of \$14,830. These iPad Minis are issued or stored as follows:

- 16 individuals possess JSI/JTI-issued iPad Minis, including the JSI/JTI Trustees, Advisors, Administrators, and the Management Analyst. All but the two Sr. Typists have these iPad Minis.
- Four devices are currently stored and not in use.

The Trusts indicated that the iPads are used for email communication and reviewing other documentation maintained on the Trusts' server such as meeting minutes, contracts, and other documents. Furthermore, through the interviews with the Controller's Auditor, the Trusts' stated they have iPads and cellular telephones because they needed a secure communications channel outside the existing communication devices provided by LADWP. The Trusts also stated that the devices are issued for business use only with the approval of both Management and Labor Trustees. The original 18 iPads were sold to Trustees, Administrators, Advisors, and employees for \$130 per device. The amount was determined using the going rate for used iPads to a third party (Gazelle.com).

The Board of Trustees approved the purchase and use of iPads at its February 10, 2011, Board of Trustees meeting, and on August 11, 2011, the Board of Trustees approved Microsoft software for use on all iPads. Then in 2013, due to security support inadequacies because of the age of the iPads, the Board of Trustees approved the replacement of iPads with iPad Minis, and the old devices were then authorized to be sold to employees for \$130 each at a January 31, 2013 meeting.

Exhibit III.5, Phone Line Detail by Fiscal Year, on the next page, provides the average cost and total cost of cellular lines by year. It is important to note that cellular expenses are shared equally between both Trusts. Also, the number of lines reflects cell phones, iPad data, as well as mobile hotspot lines for the Trustees, Advisors, Administrators, and employees. Average cost is lower in fiscal year 2013 due to programs the Trusts took advantage of to lower monthly rates.

It should be noted that, the LADWP, who provides the funds for these two Trusts, does have a policy for the issuance of cellular telephones under the following conditions:

- Need for the employee to be reachable by two-way radio at all times;
- Job assignment requires the employee to be away from their reporting location for a significant period of time; and,
- Employee's day-to-day duties must be critical operations and maintenance, immediate customer service, security of LADWP facilities, or safety of LADWP personnel.

Unlike LADWP the Trusts do not have a formal written policy for cellular telephones or electronic devices. The condition observed deviates from generally accepted business practice of documenting policies for using organization-issued devices. Such deviation may lead to wasted personnel time, as well as abuse, including personal use of business property.

Exhibit III.5, Phone Line Detail by Fiscal Year

Year	Number of Lines	Average Cost Per Line*	Total Cost Per Year
FY09/10	6	\$1,091	\$6,543
FY10/11	23	\$326	\$7,506
FY11/12	25	\$562	\$14,049
FY12/13	49	\$160	\$7,842
FY13/14	30	\$369	\$11,055

**Note: As numbers are presented in whole dollars, a minor rounding error exists when arriving at the total cost amount by multiplying the average cost per line by the number of lines in order to present the actual amounts in whole dollars correctly.*

Recommendation:

The Trusts should adopt a formal policy to document specific allowed and prohibited uses of iPads, cellular telephones, and other JSI/JTI-issued devices that covers acquisition, usage (business and personal), and employee agreements. Also, the Trustees should evaluate and review the iPad Minis that are currently issued as well as those iPad Minis in storage to determine the most effective use and need of these devices with evaluative criteria such as the criteria documented by LADWP. In addition, ensure periodic supervisory review to monitor adherence to the policy, once established.

Finding B.4 Lack of Segregation of Duties

The Controller’s Auditor identified situations where incompatible duties were performed by employees, and/or there was no management supervision and authorization. Duties that lacked segregation were as follows:

- The same Trust employee does all of the following:
- Is responsible for all accounting entries into the Trusts’ QuickBooks records.
- Deposits, pays, and performs reconciliations. In addition, there is no segregation around the control over cash and investments.
- Processes invoices for payment either by check or by ACH.

Lack of segregation of duties is due to the small number of Trust employees and the lack of administration oversight. The majority of accounting functions rest with one employee who is shared among the two Trusts.

A strong system of internal control requires the segregation of incompatible accounting functions. The lack of segregation of duties could result in weaknesses in internal controls resulting in increased risk of fraud, waste, and/or abuse.

Recommendation:

Where possible, segregate incompatible functions between employees. Where segregation is not feasible, the Trustees or Administrators should attempt to mitigate them by applying increased management supervision and oversight.

Finding B.5 Salary Overpayment

One Administrator was overpaid by the Trusts. During the Auditor’s review of salary payments, the Controller’s Auditor sampled two of the five years of salary records to test the calculation of amounts paid to the Administrators from the Trusts. During this testing, the Auditor noted that one Administrator had been overpaid approximately \$4,000 in one year.

All Administrators receive the same rate of pay. That rate of pay is based on the ESM III, Step 5 rate as negotiated by LADWP and IBEW. LADWP pays the salary of the Administrator up to the amount the Administrator was being paid prior to being appointed as Administrator to the Trusts. The difference between the Administrators' rate of pay at LADWP and the ESM III, Step 5 rate is paid by the Trusts. As an example, the current ESM III, Step 5 rate, is \$222,000 per year. If an Administrator was making \$125,000 per year before appointment as Administrator to the Trusts, DWP would pay the Administrator \$125,000 per year, and the Trusts would pay the Administrator, the balance of \$97,000 per year. The \$4,000 overpayment was based on an overpayment of the Trusts' portion of salary.

The salary overpayment was the result of a lack of procedures over the payroll process and a lack of management oversight and review. There must be management oversight involved in the calculation and approval of payroll. As all Administrators are paid according to a negotiated rate, each payroll should be the same from period to period, barring any change in withholding, reimbursement, sick/vacation time payout, or other unusual event. This would be a check that should occur at the management level to ensure that employees are being compensated at the appropriate amounts. Lack of controls surrounding payroll transactions could lead to incorrect payments to employees similar to the one discovered by the Controller's Auditor.

Upon notifying the Trust personnel of the overpayment to the Administrator, the Trust took action to calculate the amount of the overpayment and the Administrator repaid the amount immediately.

Recommendation:

The Trusts need to implement procedures to review payroll information for accuracy. It is further recommended that the Administrators take a more active role in oversight and approval of the payroll process.

C. Governance

Finding C.1 Non-Compliance with Approved Investment Policy

The Trusts have an approved Investment Policy dated April 16, 2008. The policy contains provisions for delegating authority to Trust Administrators, custodian and additional specialists with the Trustees maintaining overall responsibility over the investment decisions. While no formal delegation was found in the Board of Trustee meeting minutes delegating authority to Trust Administrators or a Custodian, the Trusts Management Analyst has performed many activities related to the investments including: preparing analysis for Trustee consideration and action, interacting regularly with the Trusts' CD Broker and directing investment activities with the CD Broker by communicating purchases and sales of CDs. The definition found in the Trusts' Investment Policy does not clearly indicate that the Management Analyst is an appropriate individual to perform cash management activities. In addition, with the Management Analyst performing functions of preparing the analysis of investment balances and initiating investment activities there is a concern regarding segregation of duties issues on the part of the Management Analyst's functions.

The balances in the CD accounts as of June 30, 2014 were about \$1.1 million for JSI and about \$8.6 million for JTI with an average annual interest income over the 5 year Audit Period of approximately \$23,800 and \$51,600 for JSI and JTI, respectively. As of June 30, 2014, the Trusts had CDs in about 44 banks in order to have the balances invested under the FDIC Insurance limit.

Through an amendment dated August 6, 2009, the Trust's investments will be deposited into a FDIC protected account. During the audit period, there were several occasions where cash and investment balances were in excess of FDIC insurance in violation of their Investment Policy. In fiscal year 2011, the Trusts' Auditors noted that \$192,000 was in excess of FDIC insurance limits.

While the Trusts have had an Investment Policy, there are not formal procedures to document the delegation of authority for transacting investment activities, segregation of duties, and to ensure compliance with FDIC insurance limits. The Trusts' Investment Policy and internal control principles dictate the requirements for the

Trusts' investments and for the protection of the Trust assets. The Investment Policy also indicated that the Trustees plan to review it annually; however, there was no indication in the meeting minutes or with the policy documenting the review.

Without formal procedures and segregation of duties, unauthorized transactions could be initiated resulting in theft or misuse of Trusts' assets.

Recommendation:

The Trusts should incorporate procedures to formally delegate authority for investment activities considering internal control practices to segregate duties, regularly monitor FDIC insured balances, and annually review the Investment Policy.

Finding C.2 Trusts' Employee Salaries Exceed Marketplace Rates

The salaries paid to Trusts' employees exceed marketplace rates compared to similar State of California Civil Service positions and job roles. **Exhibit III.6**, below, shows the list of the Trusts' Administrators and employees, and associated salaries as compared to other similar positions held by individuals working in civil service positions for the State of California.

Exhibit III.6, Comparison of monthly Trusts' salaries to similar job functions²

JSI/JTI Administrator⁵	Training Officer Levels I – III	Administrative Officer	Program and Project Supervisor (Public Utilities Commission)	Program Manager (Public Utilities Commission)
\$17,275	\$4,488 – \$7,068	\$3,271 – \$6,437	\$8,921 – \$11,168	\$10,839 – \$12,312
JSI/JTI Position: Management Analyst⁶	Accountant I	Accounting Analyst	Procurement & Services Officer	Associate Govt Program Analyst
\$9,267	\$2,997 – \$3,665	\$3,168 – \$4,906	\$4,300 – \$5,336	\$4,488 – \$5,618
JSI/JTI Position: Senior Clerk / Typist⁶	Office Assistant (General)	Office Assistant (Typing)	Key Data Operator	Office Technician
\$5,428	\$2,115 – \$2,647	\$2,186 – \$2,969	\$2,196 – \$3,125	\$2,691 – \$3,371

All Administrators of the Trusts are compensated at the same rate per negotiations between LADWP and the IBEW. That rate of pay is set at the ESM III, Step 5 rate, which, currently is approximately \$222,000, and is higher than the rates the individual Administrators were being paid by DWP prior to their assignment to the Trusts.

Per the JSI Trust Agreement, dated July 1, 2000, the Administrators shall be responsible for “developing, recommending, and implementing Safety Programs, both general and site specific, to the Board of Trustees. In this regard they shall develop plans for Safety Programs, they shall provide direction and assistance and shall coordinate the purchasing of goods and services.”³

² State of California, Civil Service Pay Scale Listing by Class Title, www.calhr.ca.gov.

⁵ Amount taken from Employee Pay History, provided to City Auditors on 3/30/15

⁶ Amounts taken from DWP payroll register covering periods July – December 2013. Monthly amounts were totaled and divided by 6 to determine the monthly average amount.

³ Agreement and Declaration of Trust, Entered into as of July 1, 2000

Per the JTI Trust Agreement, dated July 1, 2002, the Administrators shall be responsible for “assessing, developing, recommending, and overseeing the implementation of Training Programs and Initiatives, both general and site specific, to the Board of Trustees. In this regard they shall develop plans for Training Programs, provide direction and assistance, oversee service delivery components, and coordinate the purchasing of goods and services.”⁴

For the Administrators, LADWP does not have comparable job classifications that match the duties and work responsibilities performed by the Trusts. The salaries have been determined and negotiated separately with the IBEW-Local 18 for the Trusts in accordance with the Collective Bargaining Agreement. The Administrators are appointed by the Board of Trustees in accordance with the respective Trust Agreements. There are two Administrators for each Trust (JSI and JTI) with one Administrator appointed by Labor and the other Administrator appointed by LADWP Management.

Based on positions with similar or greater responsibilities, the salaries paid to all employees of the Trusts exceed other benchmark and comparable data in the State of California.

While the staffing for the Trusts are fulfilled in accordance with the Trust Agreements which allow for duplication of Administrator positions between Union and Management appointees, prudent and reasonable business practices for use of rate payer monies dictate the most cost effective means of performing the activities of the Trusts.

Recommendation:

The Board of Trustees should review and evaluate each Trusts’ position, job roles, and associated salaries and align with comparable civil service salaries. Such job classifications, job roles, required experience, and salary ranges should be clearly documented and formalized. While it is noted that current conditions make the following consideration unlikely, another possibility for staffing could include hiring one neutral Administrator appointed by the Board of Trustees to protect the interest of both Labor and Management.

Finding C.3 Evaluation of Computer Equipment Purchases

The Trusts purchased computer equipment without properly evaluating their needs. In fiscal year 2010, JTI purchased 40 new laptops for a total cost of approximately \$101,000. JTI originally purchased the computers and equipment to conduct training courses for employees. The computers were to be utilized in the training lab on the campus in Sun Valley. The laptops utilized Windows XP, and, in 2013, when Microsoft announced it would no longer be supporting XP, the head of LADWP IT Security determined that all computers running XP would not be allowed access to DWP servers, rendering the laptops obsolete to LADWP. It was at this time that it was determined that the equipment was not suitable for use in the DWP training lab and the laptops have since been stored at the Trusts’ facility and utilized in Trust only computer-based training programs. Based on a conversation with one of the Administrators, research was done, and it was cheaper to replace the laptops with new ones running Windows 7, than to acquire a business license from Microsoft for a new version of Windows that would be supported by Microsoft, and meet the DWP security concerns. Although research was done, the research was not documented to determine if the original purchase of the equipment was reasonable and necessary. It should be noted that the computers, at the time Microsoft announced the discontinued support of XP, were approximately two and a half years old, and towards the end of their economic useful life.

In 2011, the Trusts spent approximately \$127,000 for a server and installation to be utilized by the Trusts’ Trustees, Administrators, and employees. The rationale for the server was the Trustees’ indicated that emails sent over LADWP servers were not secure from LADWP review and oversight. In order to maintain confidentiality and independent security, the Trustees felt the most appropriate action was to acquire a separate server to conduct the Trusts’ business.

Best business practices dictate that the Trusts determine the appropriate requirements for equipment prior to purchase, and to utilize existing systems of LADWP where available.

⁴ Agreement and Declaration of Trust, Entered into as of July 1, 2002

Recommendation:

The Board of Trustees should determine and implement a policy and procedures to document and review asset purchases to ensure that the purchase meets LADWP protocols and also the appropriate method to dispose of the obsolete equipment. Research into asset acquisitions should be documented so that potentially wasteful spending is avoided.

Finding C.4 Non-Compliance of Board of Trustee Meetings with Trusts' Agreements

The Board of Trustee meetings were not held quarterly as required by the Trusts' Agreements. Article V, Section 4 of the JSI agreement states "...meetings of the Board of Trustees shall be held at a time and place to be fixed by the Board of Trustees and shall be held at least quarterly." Article V, Section 4 of the JTI Agreement states, "Regular meetings of the Board of Trustees shall be held at a time and place to be fixed by the Board of Trustees and such meetings shall normally be held quarterly."

In 2013, the Board of Trustees met on May 2, 2013, then the Trustees did not meet until October 8, 2013 and December 11, 2013. There were no Board of Trustee meetings held between December 11, 2013 and June 30, 2014.

No meetings were held because there were not sufficient Trustees in order to have a quorum. Article V, Section 1, of the Trust Agreements states, "No action can be taken by the Joint Safety Institute/Joint Training Institute unless at a meeting of the Trustees and unless a quorum is present at the meeting. To constitute a quorum at any annual, regular or special meeting of the Board of Trustees there must be present in person at least two (2) DWP Trustees and at least two (2) IBEW Trustees. In the absence of a quorum, the Board of Trustees shall not transact any business at a meeting." Board of Trustee meetings could not be held because LADWP Management designated trustees were not acceptable to the Labor Trustees. Per one of the Trusts' Administrators, the reason the Management appointments were unacceptable to the Labor Trustees, was due to the nominees not being employees of LADWP and that the candidates were not selected by the General Manager of LADWP as per the Trust Agreements.

Without Board of Trustee meetings, important actions cannot be taken to direct the work of Administrators and Trusts' employees. In addition, without meetings, there is a lack of oversight of the policies in place at the Trusts, and, therefore, a weakness in the governance functions.

Recommendation:

LADWP should engage regularly in the Trusts' governance and establish a mechanism to better resolve disputes over the appointment of Trustees to the Board.

Finding C.5 Potential Duplication of Trusts' Operational Costs

The organization of the Trusts into two separate Trusts, the Joint Safety Institute (JSI) and the Joint Training Institute (JTI), has resulted in a number of duplicated costs. The JSI was established by the Los Angeles City Council Ordinance No. 173560, in 2000. The City Council also passed Ordinance No. 174771, which established the JTI in 2002. The JSI Ordinance identified the intent of LADWP and IBEW-Local 18 was to identify workplace safety as a core value to promote workplace safety. The JTI ordinance identified the intent of LADWP and IBEW-Local 18 was to identify employee training as a core value to improve training and learning opportunities.

JSI and JTI have similar purposes and serve the same beneficiaries. Currently, the Trusts are co-located in Sun Valley, share facilities, and share equally one employee. Approximately \$739,000 could potentially be saved annually if the Trusts are combined, based on **Exhibit III.7**, below, and using fiscal year 2013 as a basis of estimated cost savings. **Exhibit III.7** only includes the amounts contemplated for the estimated cost savings, however, the total expenses reflect the total expenses of the Trusts for 2013. These numbers have not been audited, and this potential savings is only on a reduction of staffing and associated costs and is not a projection of actual results. Certain assumptions have been made and are described below.

Exhibit III.7, Cost Savings from Consolidation of Trusts

Expense Category	JSI Total FY 2013	JTI Total FY 2013	JSI / JTI Total FY 2013	Potential Estimate Combined	Estimate Savings
Auto Expense	25,172	44,348	69,519	36,000	33,519
Salary Expense	463,282	238,554	701,836	254,250	447,586
Salary Reim Expense	205,622	740,486	946,107	715,000	231,107
Legal & Accounting Fees	23,585	23,077	46,662	25,000	21,662
Total Expenses	1,708,801	1,788,273	3,497,074	2,758,150	738,921

Significant cost savings can be achieved through consolidation because duplicate or redundant costs can be eliminated. The assumptions used in Exhibit III.4 above include all costs not directly associated with the following are assumed to remain constant; the reduction of Administrators to three (currently, there are five) at a salary of \$225,000 annually per Administrator (split between DWP and the Trust); auto allowance of \$1,000 per month, per Administrator (currently \$500 per month per Administrator, plus spending for gas on credit cards;) and the reduction of audit fees to \$25,000 as there would only be one Trust to audit on an annual basis. If the function of providing for training to LADWP Labor is to reside with a separate non-profit, consideration should be made for consolidation of JSI and JTI into one organization.

Recommendation:

LADWP and IBEW should evaluate the Trusts' Agreement and the City's Ordinances to determine the most cost effective, prudent use of LADWP public funds to administer the stated mission and objectives of the Trusts.

Finding C.6 Reimbursement of Identity Theft Insurance Premiums and Potential Unreported Income

The Trusts are not in compliance with the Internal Revenue Service (IRS) requirements resulting in the potential for unreported income for Trustees and employees of the Trusts related to the reimbursement or payment of personal identity theft insurance premiums. In addition, the reimbursement of premiums may be considered compensation to the Trustees which may be a violation of the Trust Agreements.

The Trusts have an unwritten policy of providing reimbursement or payment for Lifelock policies for anyone associated with the bank accounts and investments of the Trusts. This is the result of banks requiring personal information of Trustees, Administrators, and Trust personnel including social security numbers. The Trusts informal policy is that they will not sign individuals up for Lifelock, but if the Trustee signs up independently, the Trusts will reimburse the costs.

IRS Publication 525, Taxable and Nontaxable Income, defines compensation and the items that are to be included and can be excluded from compensation. While the Publication specifically identifies certain reimbursements that can be excluded from income, identity theft insurance premiums are not listed as an exclusion in the Publication.

Article VI, Section 10, of the JSI Trust Agreement and Article VI, Section 14, of the JTI Trust Agreement each say, "The Trustees shall serve without compensation from the Trust Fund." This same section of each agreement does allow for reimbursement of expenses pursuant to rules and regulations adopted by the Trustees. However, it is not known when or if the Trustees formally approved the reimbursement but a formal adoption would seem to be required to meet the Trust Agreements. Failure to report compensation would be a violation of IRS rules and could result in penalties and interest to the Trusts and to Trustees and employees of the Trusts.

Recommendation:

The Trusts need to determine if the reimbursement of identity theft insurance premiums is compensation that should be included in W-2 Forms. In addition, the Trusts should determine if the reimbursement of premiums to Trustees is a violation of the Trust Agreements.

D. Financial Reporting

Finding D.1 Non-Compliance with the Trusts' Conflict of Interest Policy

While the Trusts have established a Conflict of Interest Policy, the Trusts did not comply with their Policy requiring annual certifications of the policy by Trustees, Administrators, and employees. During the period of July 1, 2009 through June 30, 2014, there were 22 Trustees, Administrators, Advisors and employees of JTI required to file at least one Conflict of Interest Certification. Only 3 of 22 required individuals had all applicable certifications on file. For this same period of time, there were 24 Trustees, Administrators, Advisors and employees of JSI required to file at least one Conflict of Interest Certification. Only 5 of the 24 individuals had all applicable certifications on file.

The Trusts did not have procedures in place to annually obtain the signed certificates and review them for disclosures of actual and potential conflicts of interest as required by the policy. The Trusts' Conflict of Interest Policy requires that each employee sign a conflict of interest policy on annual basis to disclose potential and actual conflicts of interest. The failure to obtain and review annual certifications of Trustees, Administrators and employees could result in violations of the Trusts Conflict of Interest Policy not being detected on a timely basis resulting in inappropriate Trust activities.

Recommendation:

The Trusts should implement procedures to annually obtain signed Conflict of Interest Forms and assign an individual to review the forms for any disclosures requiring action.

Finding D.2 Unmet Financial Reporting Requirements and Lack of Financial Internal Controls

The Trusts have not met all financial reporting requirements and internal control practices during the audit period of July 1, 2009 through June 30, 2014. Annual financial statements and Form 990s have not been filed on a timely basis. The Form 990 is due on November 15 of each year in accordance with IRS Guidelines. However, two extensions can be granted by the IRS allowing the Form 990s to be filed by May 15 of the year following the end of the fiscal year. The Letter of Agreement signed in November 2014, indicates that the future audited financial statements are due 120 days after the fiscal year end or by October 31st of each year. It is unclear whether the Letter of Agreement refers to Fiscal Year (FY) 13/14 or FY 14/15 financial statements. The Trusts have not met the October 31st date for filing during any of the years audited.

Exhibit III.8, Audited Reports and Submitted Form 990s, on the next page, documents the date of the Trusts' auditor's report and the date that the Form 990s were filed each fiscal year.

Exhibit III.8, Audited Reports and Submitted Form 990's

JSI			JTI		
FYE	Opinion Date	Date 990 Signed	FYE	Opinion Date	Date 990 Signed
2010	1/17/2011	3/23/2011	2010	2/25/2011	3/23/2011
2011	3/16/2012	4/11/2012	2011	3/16/2012	4/1/2012
2012	1/23/2013	4/8/2013	2012	1/23/2013	4/8/2013
2013	1/16/2014	5/13/2014	2013	1/16/2014	5/13/2014
2014	Information not available as of April 20, 2015		2014	Information not available as of April 20, 2015	

The Trusts auditors have prepared significant adjustments to the Trusts' general ledgers in order to render an opinion on the financial statements in accordance with generally accepted accounting principles. The adjustments include:

- Reclassification of account balances
- Reclassifying fixed asset purchases from expenses to assets
- Disposing of assets, and
- Recording of receivables and payables.

The adjusting journal entries prepared by the auditor are necessary in order for the auditor to prepare the financial statements and render an opinion on the financial statements. If the auditor is required to prepare significant audit adjustments and prepare the financial statements because the entity being audited does not have personnel with the requisite skills to prepare entries to properly state financial statement balances, the auditors are required by Statement of Auditing Standard (SAS) No. 115 "Communicating Internal Control Matters Identified in an Audit" to issue a material weakness letter on the financial statements of the entity.

A material weakness is defined by SAS 115 as "a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis." The auditor issued, and we reviewed, a material weakness letter for both Trusts for fiscal years 2010 and 2011. Our conversations with Trusts' auditor indicated that they issued a SAS 115 letter in 2010, 2011, and 2012, however, in 2013 and 2014 the Trusts hired a consulting accountant to address the material weakness pointed out by the auditors.

An organization can hire a consultant to prepare adjusting entries and financial statements to address situations where the audited entity does not have personnel that possess the skills necessary to prepare the financial statements in accordance with generally accepted accounting principles. Since the Trusts hired an accountant to prepare the financial statements, the material weakness letter was not issued to the Trusts by the auditors. However, based on interviews with the Trusts' auditors, the Trusts' auditors have continued to prepare the adjusting journal entries. The consulting accountant then has prepared the financial statements.

Since the Trusts' auditor still prepares significant adjusting journal entries, and the Trusts' employees do not possess the requisite skills to prepare financial statements, the material weakness does not appear to be resolved in fiscal years 2013 and 2014. In discussions with the Trusts' auditors, the 2014 financial statements were prepared in the same manner as the 2012 and 2013 financial statements. It is unclear whether the Trusts' auditor will issue a material weakness letter in 2014. The Trusts' auditor did indicate that the Trusts' intention for fiscal year 2015 is for the consulting accountant to prepare both the adjusting journal entries and the financial statements.

From interviews with the Trusts' auditor, the auditor stated that they have not met with the Board of Trustees to review the upcoming audit, or to review the results of the audit in accordance with SAS 114 "the Auditor's Communication with Those Charged with Governance." It is unclear why the Trusts' auditor has not met with

the Board of Trustees, but such a meeting will help the Board of Trustees and the auditor better understand the objectives of the audit and to comply with auditing standards.

Recommendation:

The Trusts should take the following actions in order to comply with appropriate agreements and standards:

- Implement policies and procedures to ensure that the financial statements are prepared on a timely basis in accordance with Section 7 of the Letter of Agreement signed in November 2014.
- If the Trusts do not have personnel with appropriate training to prepare audited financial statements, then the Trusts should require the consulting accountant to prepare both the adjusting journal entries and the financial statements. Such a practice will address concerns of the auditor auditing their own accounting work.
- The Board of Trustees should meet at least annually with the Auditor to discuss issues as required by best business practices and auditing standards.

Finding D.3 Discrepancies between Financial Statements and Trusts' General Ledgers

During Controller's Auditor's review of the Trusts' general ledgers, Form 990's, and audited financial statements, the Auditor identified differences in the amounts reported on the General Ledger. The differences are the result of the Trusts' not posting Trusts' Auditor adjusting journal entries, and due to the Trusts' setting up a separate set of QuickBooks for each Trust. The separate set of books for each Trust was set up to track the investment activities.

The multiple sets of QuickBooks accounts resulted in confusion related to the financial records and meant that multiple Quickbooks files had to be combined into one to create financial statements for presentation of financial reports to the Board of Trustees, Administrators and the Trusts' Auditor. The Trusts' Auditor audited the Trusts for multiple years before providing the Trusts with the appropriate journal entries to consolidate the multiple sets of QuickBooks accounts in fiscal year 2012.

Even after the consolidation of the separate set of QuickBooks, the general ledgers do not agree to the financial statements or Form 990s. The accounts receivable and retained earnings balances prior to the QuickBooks consolidation are different from fiscal years prior to fiscal year 2010.

The cause of these matters is due to the Trusts' personnel not fully understanding and not having adequate training in the use of the QuickBooks software. Incorrect General Ledger records or multiple General Ledgers could result in misappropriations of Trusts' assets and inaccurate financial reporting.

Recommendation:

Trusts should seek and provide appropriate training for employees using QuickBooks Software. In addition, the Trusts should reconcile each account to the financial statements and Form 990.

Finding D.4 Historical Reporting of Trusts' Functional Expenses and Questionable Cost Allocation

Best practices and ASC 958 "Not-For-Profit Entities" indicate the presentation of functional expenses provides the highest level of transparency of an organization's finances. The Center of Nonprofits and Philanthropy, Urban Institute Center on Philanthropy, Indiana University in its Brief No. 5, offers various financial measures that nonprofits should use to evaluate the impact that they are having in meeting their mission. Brief No. 5 indicates that at least 65 percent of its expenses should be spent on program activities.

The Trusts did not report functional expenses in their financial statements prior to Fiscal Year 2013. The opinion of the Trusts' financial statements were qualified because of the omission. In 2013, the Trusts began reporting summary information similar to what is recommended as a note to the financial statements. ASC 958 "Not-For-Profit Entities" recommends that non-profit organizations prepare a Statement of Functional Expenses to provide the users of the financial statements with information to better understand the breakdown of expenses between management and general, programs, and fundraising activities for greater accountability. In 2013, the Trusts reported the following summary information in each Trust's financial statements:

2013 Financial Statements (Note 8 – Summary of Expenses by Functional Classification)

JSI

Class of Program Services and Supporting Activities	Year Ended June 30, 2013	Year Ended June 30, 2012
General and Administrative Expenses	\$433,790 (25.4%)	\$432,977 (27.2%)
Safety Program Expenses	1,275,012 (74.6%)	1,128,359 (72.3%)
Total Expenses	\$1,708,802	\$1,561,336

JTI

Class of Program Services and Supporting Activities	Year Ended June 30, 2013	Year Ended June 30, 2012
General and Administrative Expenses	\$544,613 (30.5%)	\$523,913 (26.7%)
Safety Program Expenses	1,243,708 (69.5%)	1,432,829 (73.2%)
Total Expenses	\$1,788,321	\$1,956,742

Upon further review of the classifications of expenses as Administrative and Program, the Controller's Auditor observed the following on several of the costs categories:

- **Salaries and Benefits:** the Trusts' Auditor calculated the allocation between Administrative and Program costs using the assumption that 100 percent of the clerical and analyst salaries and benefits are administrative, and 30 percent of the Administrators salary and benefits are administrative. The Administrators do not maintain time records to support the allocation of 70 percent of their time to programs. The Trusts' Auditor determined the allocation for all of the Administrators based on a discussion with one Administrator and the Management Analyst. Without a time study to determine the basis for the allocation of administrative duties versus program activities, the reasonableness of the allocation of the Administrators time cannot be ascertained.
- **Meetings, Conferences and Travel:** the Trusts' Auditor allocated costs for some conferences to administration or programs based on the type of conference and other various conferences were allocated at 40 percent to administration. There was no written documentation of the purpose of these conferences and the program the conferences related to, therefore, allocation of conferences to programs cannot be ascertained.
- **Auto Allowance and Expenses:** these costs were allocated based on how the Trusts' Administrators spent their time which was 30 percent to administration and 70 percent to training programs. Without any time study as the basis of allocation for auto expenses, the reasonableness of the allocation cannot be ascertained. Costs related to auto allowance and fuel should be allocated based on the mileage or auto costs associated with training activities.
- **Telephone Expense:** these costs were allocated based on the Administrators time which was 30 percent to administration and 70 percent to training programs. Without any time study as the basis of allocation for telephone expenses, the reasonableness of the allocation cannot be ascertained. The Trusts do not maintain records of each call or the purpose of each call, which would provide an alternative method of allocation.
- **Promotional Merchandise:** these costs were allocated to the training programs at 90 percent; however, there was no supporting documentation to ascertain whether this was a reasonable basis of allocation.
- **Dues and Subscriptions:** these costs were allocated at 100 percent to training programs; however, the basis for allocating all costs to training programs could not be determined, therefore the reasonableness of the cost allocation could not be ascertained.

The functional expense allocations can be prepared using various assumptions and using the observations listed above can produce different results. However, we are unable to ascertain the reasonableness of the amounts reported as Administrative and Program expenses due to the lack of supporting time records and management's inability to explain the rationale for the reporting methods.

Upon inquiry of the Trusts' Auditor, to avoid a qualified opinion on the 2013 financial statement audit, several of the Trustees requested from the auditor that the functional expenses be included in the audited fiscal year 2013 financial statements. Although the Trusts reported summary functional expense information in the notes to each of the Trusts' fiscal year 2013 financial statements, the functional expense information was not included in the Form 990. While the Statement of Functional Expense is not required to be presented in the Form 990, inclusion of the information would provide better accountability to the beneficiaries of the Trusts and the LADWP rate payers because there is more detailed information about the costs being allocated and the Form 990 is a public document.

Recommendation:

The Trusts should establish a policy to prepare and present a Statement of Functional Expenses based on documented methodologies and supported by underlying records such as time studies to provide accountability for its expenses in accordance with the mission of the Trusts. Further, Trustees should establish a benchmark requirement to achieve a pre-established programmatic expense level.

E. Training and Safety Programs

Finding E.1 Safety Peak Performance, LLC, Contract Irregularities

The Contract Agreement with Safety Peak Performance, LLC, lacked documentation evidencing best value procurement, and contained unusual and potentially unreasonable cost reimbursements. The Controller's Auditor reviewed and analyzed two JSI contracts with Safety Peak Performance, LLC, and identified costs that were paid to Safety Peak Performance that did not follow prudent business practices or industry procurement standards, including procurement and contract requirements provided within the City of Los Angeles Administrative Code⁵. For instance, fees paid per course are higher than similar courses and contracts held by JSI and JTI. JSI paid Safety Peak Performance a total of \$1,371,449 over the five-year audit period, as follows:

- \$403,469 FY09/10
- \$339,985 FY10/11
- \$321,103 FY11/12
- \$302,209 FY12/13.

Safety Peak Performance conducted approximately 280 training courses during the period of July 1, 2009 through March 31, 2013. The Safety Peak Performance contracts included the following Terms and Conditions that do not follow prudent business practices:

- Minimum use provision of \$150,000. This provision required JSI to pay Safety Peak Performance \$150,000 even if no services were rendered.
- Reimbursement for Safety Peak Performance LLC Professional Liability Insurance. The JSI paid for Safety Peak Performance Professional Liability insurance that covers for professional omissions and errors.
- Travel time to travel from home to JSI.

Exhibit III.9, on the next page, provides a comparison between training costs for Safety Peak Performance and two comparable vendors who provided similar services to the JSI. Safety Peak cost per workshop is higher than similar workshops/training provided during the audit period.

⁵ Source: Los Angeles Charter and Administrative Code, Division 10, Chapter 1: Contracts General

Exhibit III.9, Safety Peak Performance Training Costs Compared to Other JSI Contractors

Contractor	Services Provided	Cost per Workshop per Day (assuming 18 participants)	Cost per Workshop Participant per Day
Safety Peak Performance, LLC	<ul style="list-style-type: none"> One and Two day safety workshops 	\$3,300	\$185
Ropes that Rescue, Ltd	<ul style="list-style-type: none"> Two week tower rescue instructor-level training sessions One week tower rescue employee training sessions 	\$2,260	\$125
Electrolab Training Services (SafeStart)	<ul style="list-style-type: none"> Three-day Train the Trainer safety sessions 	\$1,680 ⁶	\$93

JSI did not have documented, formal procurement processes which cover competitive bidding for contract procurement policies and procedures to ensure that training is performed at the most favorable price. In addition, the contract files did not contain any documentation supporting selection and evaluation criteria, cost reasonableness/justification, or pricing comparisons. This lack of documented procedures could allow for a vendor to bill at a higher rate than would otherwise be charged for similar services.

Recommendation:

The Trusts' take the following actions to address future contract issues.

- The Trusts' document and implement formal procurement procedures in alignment with LADWP policies and procedures.
- The Trusts' document and implement a process for the periodic review of procurement activities to record and verify compliance with internal procurement policies and procedures.

Finding E.2 Electrolab Contract Payments in Excess of Contract Maximum

The JSI paid Electrolab \$1,514,509 above the authorizing contract agreement amount of \$44,800. Per the JSI's six contracts with Electrolab, the contractor was to provide Train-the-Trainer and support sessions at a daily cost of \$2,800 plus all applicable travel expenses. Sixteen session days were identified in the six contracts, which provides a total contract amount of \$44,800, not including applicable travel expenses. Per Electrolab invoices, JSI purchased approximately \$1.5M in SafeStart course materials from Electrolab in order to continue to train LADWP employees after the Train-the-Trainer sessions occurred. The Electrolab contracts state that JSI must purchase one SafeStart Participant Kit for each employee who will be participating in training programs; however, the specific costs for the training materials are not specified or included in the Electrolab contracts. In addition, it appears that some of the invoices from Electrolab to JSI failed to include the applicable sales tax for the taxable training materials.

Exhibit III.10, on the next page, provides a summary of contract value and amounts paid by the JSI to Electrolab between July 1, 2009 and June 30, 2014. The pricing terms and conditions in the contract due not provide a cost or price for training materials.

⁶ Contract states a daily rate of \$2,800 with 30 participants, which calculates to a per participant price of \$93.30. In order to create a comparable rate, Crowe utilized the per participant rate to calculate the Cost per Workshop per Day with 18 participants.

Exhibit III.10, Electrolab Contract Value and Amounts Paid

Contractor Name	Contract Effective Dates	Contract Total Value	Total Amount Paid during Audit Period	Services Provided
Electrolab Training (SafeStart Consulting Services)	11/7/2012 – 11/6/2013	\$44,800 based on only having the following pricing terms: \$2,800 per class day plus travel expense reimbursement	\$524,321 FY12/13 \$1,034,989 FY 13/14 Total \$1,559,310	3-day Train-the-Trainer Safety Sessions

The Trusts lacked policies and procedures and adequate controls to ensure contract terms were met or to make sure that contract values were properly established to ensure compliance with the contracts before invoices were paid.

The Controller’s Auditor reviewed each Electrolab contract and selected invoices totaling \$950,000 of a total \$1.5 million in payments to Electrolab to determine expenditures and adequate supporting documentation to support payments. Given the costs for training materials are not specified in the contracts, we cannot confirm the rates charged match what was contractually agreed upon, or were reasonable. The training materials purchased were binders and paper training programs/activities/lessons that were to be assembled as the employees went through the various stages of the training course.

Recommendation:

The Trusts’ should implement internal controls to ensure payments are only made with proper authorizing contracts or purchase orders. The Auditor also recommend the Trusts’ document and implement a process for the periodic review of procurement activities to record and verify compliance with internal procurement policies and procedures.

Finding E.3 Lack of Adequate Contract Management Policies and Procedures

Strong internal controls and prudent business practices dictate that proper management processes be employed to oversee the contract activities at the Trusts. The Trusts currently have informal contract management processes and oversight of contracts. Neither Trust has documented formal contract administration procedures. The Trusts lacked proper quality assurance processes and contract oversight in contracts administration.

The Trusts lack adequate contract management processes and procedures. We identified three (out of a total of seven) JSI contracts that had the incorrect parties listed in the Agreement. Two separate contracts with Electrolab (SafeStart program), with effective dates of 11/7/2012 and 9/27/2013, list the contracting parties as SafeStart Consulting Services and the LADWP, with no mention of the JSI. Similarly, a Caterpillar Safety Services contract, with an effective date of 5/9/2013, again lists LADWP as a contracting party.

In addition, one of the JTI’s contracts with Joel A. Fadem & Associates was not fully executed by all parties until nine months after the contract start date. The JTI made two payments to this contractor (in February and April 2010) before the contract was fully executed, for a total of \$14,589.

Without proper oversight, improper payments to contractors could exceed the costs within the contracts and the Trusts may not receive the goods or services required by the contracts without proper recourse against the vendor.

■ Recommendation:


The Trusts should implement formal policies and procedures for contract initiation, management, monitoring, and close-out.

IV. Trusts' Response and Auditor's Rebuttal

The Trusts received a draft of the Controller's Audit Report on Friday, April 24th, 2015. On Wednesday, April 29th, 2015, the Controller received the Trusts' brief summary response. This response is on the following page, titled **Exhibit IV.1**. The Controller's Auditor's rebuttal to the Trustees' response can be found on the page following the Trusts' Response.

Exhibit IV.1, JSI/JTI Board of Trustees Response Letter

Page 1 of 2

<p>JSI/JTI BOARD OF TRUSTEES</p> <table border="0"><tr><td>Local 18, IBEW</td><td>LADWP</td></tr><tr><td>Brian D'Arcy</td><td>Martin Adams</td></tr><tr><td>Dave Donovan</td><td>Michael Coia</td></tr><tr><td>David Hanson</td><td>Marcie Edwards</td></tr><tr><td>Jesse Mercado</td><td>David Wiggs</td></tr></table>	Local 18, IBEW	LADWP	Brian D'Arcy	Martin Adams	Dave Donovan	Michael Coia	David Hanson	Marcie Edwards	Jesse Mercado	David Wiggs	 <p>Local 18, IBEW – LADWP JOINT SAFETY INSTITUTE JOINT TRAINING INSTITUTE</p> <p>11801 Sheldon Street Sun Valley, CA 91352</p>	<p>JSI ADMINISTRATOR</p> <p>John Vanacore (818) 771-4696 john.vanacore@jsi-jti.com</p> <p>JTI ADMINISTRATOR</p> <table border="0"><tr><td>Jon Pokorski (818) 771-4676 Jon.pokorski@jsi-jti.com</td><td>Barry Poole (818) 771-4683 Barry.poole@jsi-jti.com</td></tr><tr><td colspan="2">Daniel Scorza (818) 771-14694 Daniel.scorza@jsi-jti.com</td></tr></table>	Jon Pokorski (818) 771-4676 Jon.pokorski@jsi-jti.com	Barry Poole (818) 771-4683 Barry.poole@jsi-jti.com	Daniel Scorza (818) 771-14694 Daniel.scorza@jsi-jti.com	
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April 29, 2015

The Honorable Ron Galperin
Controller, City of Los Angeles
City Hall East
Los Angeles, CA 90012

Dear Controller Galperin:

We have received the draft audit report prepared by your office and are currently reviewing its findings and conclusions. Due to the short time frame given, the Institutes can only provide you with a brief and general response to the draft report at this time. When our accountants and lawyers complete their analysis of each finding and recommendation your auditors have compiled in the 70-page report, we will provide additional commentary in greater detail to the Mayor, the Commission and the City Council.

We can say now that the report confirms what we have been saying for more than a year now: the Trusts are dedicated solely to improving the safety and training of the hard-working employees of the DWP and every dollar the Trusts have received from the DWP has been expended for these purposes and no other. And the Trusts have not violated any laws or regulations.

We are greatly concerned, however, that the audit report is littered with accusatory innuendo and peppered with contradictory statements, many of which are outside the scope of your office's charge under the parties' settlement agreement: to conduct a *financial* audit of the trusts' *expenses*. Indeed, a good part of what is presented in the report is duplicative of the soon-to-be-released performance and operational evaluation conducted by the City Administrator's Office pursuant to the settlement agreement.



Exhibit IV.1, JSI/JTI Board of Trustees Response Letter (continued)

Page 2 of 2

The audit report contains several contradictory statements and “non-findings.” For example, the report at page 9 notes the various “controls relating to the fiscal operations” that the trusts’ administrators and analysts employ and concludes that “these controls appeared to be in place and followed.” Yet the audit also concludes, generally and without substantiation, that “[t]here is a lax control environment at the Trusts” and “the Trusts lack formal policies and procedures to provide proper internal controls over financial operations to safeguard assets.”

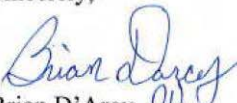
Even more troubling are the passages in the document that drift into innuendo and pure speculation. For example, the auditors note that trust credit card expenses fell dramatically from 2013 to 2014, stating, “It is unclear if the announcement of the Controller’s audit had any impact on what caused such a reduction in credit card charges.” The fact is that credit card expenses fell when, due to the challenged appointments to the Board, a quorum could not be mustered to allow the board to approve the payment of expenses. Your auditors seem more intent on casting aspersions on the management of the trusts and conjuring up baseless accusations about non-existent malfeasance than they are with getting their facts right.

Finally, most of your auditors’ findings and recommendations are based on an alleged failure to “document” each and every discussion, decision and action of the trusts’ small staff and eight volunteer fiduciaries. While such extensive and burdensome documentation may be appropriate for larger and more complicated organizations, it is neither necessary nor appropriate in small organizations such as these trusts. Nonetheless, the Trustees will consider implementing your recommendations for better documentation practices in the future.

The JSI and JTI Trustees take seriously the mandate of these organizations – to retrain workers and to help ensure and improve worker safety at DWP. It greatly concerns us that during the many months this dispute has festered some of these valuable programs have been shelved temporarily. As a result, DWP accident rates have soared.

We are eager to once again provide the much-needed skill and safety training to DWP’s 8,500 employees, and look forward to providing a more substantive and detailed analysis of the audit report and its findings to the Mayor, the Commission and the Council in the weeks ahead.

Sincerely,


Brian D'Arcy


Marcie Edwards

Auditor's Rebuttal

The Trusts provided a brief and general response to the draft Audit Report in a letter addressed to Controller Galperin on April 29, 2015 (included as Exhibit IV.1). It is the Controller's Auditor's understanding that the Trusts do not intend to respond to the Controller in greater detail. Instead, the Trusts indicate that they will provide additional commentary in greater detail to the Mayor, the Commission and the City Council.

The Auditor's Rebuttal to specific paragraphs within the brief and general response is as follows:

1. **Paragraph 4**, reference to page 9.

This paragraph references Section I containing the audit methodology and approach and not the conclusions, findings, and recommendations on financial internal controls. The detailed analyses is found in Section II, pages 14 through 21, *Financial Controls and Information*. The conclusions, findings, and recommendations are found in a Section III, pages 47 through 58. The summarized statement of a lax control environment is supported from the information and data contained in all three of those sections. Also note, that paragraph 6 of the Trusts response to the Audit report indicates agreement that formal documentation and controls are not in place. As indicated in the Audit Report, a control environment requires careful and strict adherence to practices to safeguard Trust assets.

2. **Paragraph 5**, decline in credit card expenditures in Fiscal Year 07/01/2013 through 06/30/2014.

Based on the travel policy, as well with interviews with Trusts' employees, the Trusts continued to conduct business such as executing numerous contracts and conducting normal operations. There was no information provided to the Auditors indicating that due to vacant Management Trustee positions, expenses, such as those expended in the four preceding fiscal years, would decline due to any reduction in program expenditures and operations. The Trusts' response that "...a quorum could not be mustered to allow the board to approve the payment of expenses", doesn't seem to relate to the issue of the reduction in credit card charges. The Trusts approved the payment of expenses when the credit card statements were paid not when the employees made purchases using the credit cards.

3. **Paragraph 6**, formal documentation and controls.

Regardless of size, an entity receiving public funds is required to document the use of public funds. There were instances noted where transactions were not documented as required by the policy approved by the Board of Trustees. There were also other instances where transactions were not documented in accordance with sound internal control practices. Furthermore, formal policies and procedures are necessary to ensure that controls are in place and that employees are following approved practices.

On April 27, 2015, the Controller's Auditor requested a representation from the Trusts' Management. The management representation letter is requested to seek management's acknowledgement of their responsibility to establish internal controls at the Trusts and to acknowledge responsibility for compliance with policies, laws and regulation. To date, the Controller's Auditor has not received a signed representation letter.

The Trusts operate in an environment with certain risks that require diligence in oversight by the Board of Trustees. The Trusts are encouraged to implement recommendations made within the Audit Report as indicated in paragraph 6 of the Trusts response to the draft Audit Report.

Appendix A Summary of Findings

Appendix A, Summary of Findings

Finding Category and Title	Description	Recommendation
A. Significant Findings		
A.1 Cash and Investment Balances Exceed the Trusts' Annual Budget Needs and Operations	<p>The Trusts have accumulated approximately \$11.3 million in cash and investment balances as of June 30, 2014. The Trusts' average annual income for fiscal years 2010 through 2014 was approximately \$3.9 million, with average annual expenses of \$3.5 million, resulting in an increase in cash and investment balances of \$2 million since July 1, 2009. The majority of the Trusts' income (98.5% for JSI and 97.8% for JTI, on average over the Audit Period) is from LADWP rate payer money and is being held by the Trusts without a documented plan as to how those funds will be used for authorized purposes by the Trusts.</p>	<p>LADWP and IBEW should revise the agreements to require the Trusts to utilize and deplete their existing cash and investment balances to meet the Trusts' needs before any additional public funds are transferred to the Trusts. Funding by LADWP of the Trusts should be evaluated annually based on the Strategic Plan and Annual Budget developed jointly by Labor and Management Trustees. On an annual basis, the results of the training and safety programs should be evaluated to determine the necessary level of funding for the Trusts each year.</p>
A.2 Auto Allowance Compliance and Unreported Income to the Internal Revenue Service	<p>The Trusts are not in compliance with Internal Revenue Service (IRS) requirements resulting in unreported income for employees who use their automobile for Trust business.</p>	<p>The Trusts should amend employees' Form W-2 for past years for the amount of automobile expenses that were purchased by the Trusts' credit cards on behalf of the Administrators and employees. In addition, the Trusts should revise the Transportation policy to clearly identify what it covers and what it does not cover to ensure compliance with IRS regulations.</p>
A.3 Safe Start Train-the-Trainer Compensation Compliance Issue	<p>JSI did not comply with the Trust Agreement by paying LADWP employees compensation to conduct training sessions under the Safe Start Program. Per Article IX, Section 4 of the JSI Trust Agreement states that LADWP employees shall not receive compensation from the Trusts; however, the JSI has compensated approximately 110 LADWP employees, on average \$4,800, to conduct training courses.</p>	<p>LADWP and the Trusts' should determine the appropriateness of compensating LADWP employees for their participation in training programs and determine the appropriate remedy. If it is determined to be appropriate, then the Trust Agreement be revised to address compensation for such Trainers</p>



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
<p>A.4 Questionable Expenditures on Meetings and Conferences Attendance</p>	<p>The Trusts did not always document the approvals for conference attendance and travel as required by the Joint Training/Joint Safety Travel Policy. While the Trusts have a travel policy, neither the JSI nor JTI have formal expense policies for expenses incurred at conferences and meetings.</p>	<p>Adopt a formal policy to document specifics regarding conference and meeting attendance. In addition, develop procedures to ensure adherence to the policies in place and periodic supervisory review to monitor policy compliance.</p>
<p>A.5 Lack of Competitive and Formal Procurement Practices</p>	<p>There is no evidence that contracts are established to obtain the best value or lowest price. The trusts renewed Contracts and/or executed Change Orders without following LADWP or industry-standard competitive bidding practices.</p>	<p>The Trusts should document and implement clear policies and procedures for competitive bidding, exercising controls on contract options, and when to re-bid contracts.</p>
<p>A.6 Lack of Credit Card Expenditure Documentation and Extensive Usage</p>	<p>The Trusts had approximately 19 credit cards at various times during the five-year audit period. During the Auditor's inspection of credit card transactions, the Auditor noted that from July 1, 2009 through June 30, 2014, the Trusts used the credit cards for a significant amount of purchases. JSI purchased over \$303,000 with 11 different credit card users, and JTI purchased over \$363,000 with 8 different credit card users.</p>	<p>The Trusts should establish effective controls over credit card usage by implementing a credit card policy. In addition, the Trusts should establish effective lines of approval over credit card purchases. Travel expenses should be pre-approved by proper individual(s) by utilizing the pre-authorization form.</p>
<p>OTHER FINDINGS</p>		
<p>B. Internal Controls</p>		
<p>B.1 Lack of Policies and Procedures</p>	<p>The Trusts lack formal policies and procedures to provide proper internal controls over financial operations to safeguard assets.</p>	<p>The Board of Trustees, in collaboration with the Trusts' Administrators and employees, should develop formal policies and formally approve such policies at a Board of Trustees meeting. In addition, the Administrators of the Trusts should develop formal procedures to follow and document the activities and internal control practices developed by policies developed by the Board of Trustees.</p>



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
B.2 Lack of Fixed Asset Records	The Trusts do not maintain fixed asset records to support balances reported on the audited financial statements and Form 990.	The Trusts should establish a policy to track and maintain records of fixed assets. Procedures should also be developed to provide guidance on the documentation of the fixed asset inventory. In addition, the fixed assets of the Trusts should be identified with asset tags to indicate that they are property of the Trusts.
B.3 Lack of Cellular Telephone, Data, and iPad Costs and Lack of Policies	The Trusts do not have formal policies for distribution and use of iPads and cellular telephones by JSI and JTI employees. In 2011, the Trusts collectively purchased 18 iPads for total cost of \$18,562. In 2013, these devices were replaced with 20 iPad Minis.	The Trusts should adopt a formal policy to document specific allowed and prohibited uses of iPads, cellular telephones, and other JSI/JTI-issued devices that covers acquisition, usage (business and personal), and employee agreements. Also, the Trustees should evaluate and review the iPad Minis that are currently issued as well as those iPad Minis in storage to determine the most effective use and need of these devices with evaluative criteria such as the criteria documented by LADWP. In addition, ensure periodic supervisory review to monitor adherence to the policy, once established.
B.4 Lack of Segregation of Duties	The Controller's Auditor identified situations where incompatible duties were performed by employees, and/or there was no management supervision and authorization.	Where possible, segregate incompatible functions between employees. Where segregation is not feasible, the Trustees or Administrators should attempt to mitigate them by applying increased management supervision and oversight.
B.5 Salary Overpayment	One Administrator was overpaid by the Trusts. During the Auditor's review of salary payments, the Controller's Auditor sampled two of the five years of salary records to test the calculation of amounts paid to the Administrators from the Trusts. During this testing, the Auditor noted that one Administrator had been overpaid approximately \$4,000 in one year.	The Trusts need to implement procedures to review payroll information for accuracy. It is further recommended that the Administrators take a more active role in oversight and approval of the payroll process.



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
C. Governance		
C.1 Non-Compliance with Approved Investment Policy	<p>The Trusts have an approved Investment Policy dated April 16, 2008. The policy contains provisions for delegating authority to Trust Administrators, custodian and additional specialists with the Trusts maintaining overall responsibility over the investment decisions. While no formal delegation was found in the Board of Trustee meeting minutes delegating authority to Trust Administrators or a Custodian, the Trusts Management Analyst has performed many activities related to the investments including: preparing analysis for Trustee consideration and action, interacting regularly with the Trusts' CD Broker and directing investment activities with the CD Broker by communicating purchases and sales of CDs.</p>	<p>The Trusts should incorporate procedures to formally delegate authority for investment activities considering internal control practices to segregate duties, regularly monitor FDIC insured balances, and annually review the Investment Policy.</p>
C.2 Trusts' Employee Salaries Exceed Marketplace Rates	<p>The salaries paid to Trusts' employees exceed marketplace rates compared to similar State of California Civil Service positions and job roles.</p>	<p>The Board of Trustees should review and evaluate each Trusts' position, job roles, and associated salaries and align with comparable civil service salaries. Such job classifications, job roles, required experience, and salary ranges should be clearly documented and formalized. While it is noted that current conditions make the following consideration unlikely, another possibility for staffing could include hiring one neutral Administrator appointed by the Board of Trustees to protect the interest of both Labor and Management.</p>
C.3 Evaluation of Computer Equipment Purchases	<p>The Trusts purchased \$228,000 in Computer Equipment without properly evaluating their needs.</p>	<p>The Board of Trustees should determine and implement a policy to review asset purchases to ensure that the purchase is in the best interest of the beneficiaries of the Trusts and also the appropriate method to dispose of the obsolete equipment. Research into asset acquisitions should be documented so that potentially wasteful spending is avoided.</p>



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
C.4 Non-Compliance of Board of Trustee Meetings with Trusts' Agreements	The Board of Trustee meetings were not held quarterly in 2013 and 2014 as required by the Trusts' Agreements.	LADWP should engage regularly in the Trusts' governance by making timely appointments of Trustees to the Board.
C.5 Potential Duplication of Trusts' Operational Costs	The organization of the Trusts into two separate Trusts, the Joint Safety Institute (JSI) and the Joint Training Institute (JTI), has resulted in a number of duplicated costs.	LADWP and IBEW should evaluate the Trusts' Agreement and the City's Ordinances to determine the most cost effective, prudent use of LADWP public funds to administer the stated mission and objectives of the Trusts.
C.6 Reimbursement of Identity Theft Insurance Premiums and Unreported Income	The Trusts are not in compliance with the Internal Revenue Service (IRS) requirements resulting in the potential for unreported income for Trustees and employees of the Trusts related to the reimbursement of identity theft insurance premiums. In addition, the reimbursement of premiums may be considered compensation to the Trustees which may be a violation of the Trust Agreements.	The Trusts need to determine if the reimbursement of identity theft insurance premiums is compensation that should be included in W-2 Forms. In addition, the Trusts should determine if the reimbursement of premiums to Trustees is a violation of the Trust Agreements.
D. Financial Reporting		
D.1 Non-Compliance with the Trusts' Conflict of Interest Policy	The Trusts did not comply with their Conflict of Interest Policy requiring annual certifications of the policy by Trustees, Administrators, and employees.	The Trusts should implement procedures to annually obtain signed Conflict of Interest Forms and assign an individual to review the forms for any disclosures requiring action.



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
D.2 Unmet Financial Reporting Requirements and Lack of Financial Internal Controls	The Trusts have not all met financial reporting requirements and internal control practices during the audit period of July 1, 2009 through June 30, 2014. Annual financial statements and Form 990's have not been filed on a timely basis.	<p>The Trusts should take the following actions in order to comply with appropriate agreements and standards:</p> <ul style="list-style-type: none"> ■ Implement policies and procedures to ensure that the financial statements are prepared on a timely basis in accordance with Section 7 of the Letter of Agreement signed in November 2014. ■ If the Trusts do not have personnel with appropriate training to prepare audited financial statements, then the Trusts should require the consulting accountant to prepare both the adjusting journal entries and the financial statements. Such a practice will address concerns of the auditor auditing their own accounting work. ■ The Board of Trustees should meet at least annually with the Auditor to discuss issues as required by best business practices and auditing standards.
D.3 Discrepancies between Financial Statements and Trusts' General Ledgers	During Controller's Auditor's review of the Trusts' general ledgers, Form 990's, and audited financial statements, the Auditor identified differences in the amounts reported on the General Ledger.	Trusts should seek and provide appropriate training for employees using QuickBooks Software. In addition, the Trusts should reconcile each account to the financial statements and Form 990.
D.4 Historical Reporting of Trusts' Functional Expenses and Questionable Cost Allocation	The Trusts did not report functional expenses in their financial statements prior to Fiscal Year 2013. The opinion of the Trusts' financial statements were qualified because of the omission.	Trusts should establish a policy to prepare and present a Statement of Functional Expenses based on documented methodologies and supported by underlying records such as time studies to provide accountability for its expenses in accordance with the mission of the Trusts. Further, Trustees should establish a benchmark requirement to achieve a pre-established programmatic expense level.



Appendix A, Summary of Findings (continued)

Finding Category and Title	Description	Recommendation
E. Training and Safety Programs – Contracts		
E.1 Safety Peak Performance, LLC, Contract Irregularities	The Contract Agreement with Safety Peak Performance, LLC, lacked documentation and contained unusual and potentially unreasonable cost reimbursements.	<p>The Trusts and LADWP should determine if recourse can be taken regarding unreasonable expenses for training costs that have occurred in the past. It is further recommended that the Trusts' take the following actions to address future contract issues.</p> <ul style="list-style-type: none"> ■ The Trusts' document and implement formal procurement procedures in alignment with LADWP policies and procedures. ■ The Trusts' document and implement a process for the periodic review of procurement activities to record and verify compliance with internal procurement policies and procedures.
E.2 Electrolab Contract Payments in Excess of Contract Maximum	The JSI paid Electrolab \$1,514,509 above the authorizing contract agreement amount of \$44,800.	The Trusts' should implement internal controls to ensure payments are only made with proper authorizing contracts or purchase orders. The Auditor also recommend the Trusts' document and implement a process for the periodic review of procurement activities to record and verify compliance with internal procurement policies and procedures.
E.3 Lack of Adequate Contract Management Policies and Procedures	The Trusts currently have informal contract management processes and oversight of contracts. Neither Trust has documented formal contract administration procedures.	The Trusts should implement formal policies and procedures for contract initiation, management, monitoring, and close-out.



Appendix B Summary of Conference Expenses

Appendix B, Summary of Conference Expenses

JSI/JTI Expense Type For Fiscal Years 2010 – 2014*

Expense Type	ASTD Seminar	Boeing	EPRI Conference	ICU Conference	IFB Conference	Incident Prevention	JP Meeting	NACE Conference	National Safety Conference	Other/Miscellaneous	Oxnard	Power Gen Conference	Power Plant Conference	Safety Summit/Strategic Planning	Seattle	Solar Conference	USOLN	Grand Total
Airfare	\$1,133	\$3,472	\$26,800	\$508	\$2,346	\$50		\$2,160	\$1,048	\$10,162	\$4,659	\$958			\$3,254		\$219	\$56,769
Ground Transportation	\$390	\$972	\$1,734	\$246	\$1,528	\$178	\$39	\$628	\$838	\$6,142		\$44			\$874		\$27	\$13,641
Hotels	\$13,092	\$6,827	\$35,365	\$593	\$13,141	\$537	\$100	\$12,668	\$4,505	\$20,584	\$4,278	\$866		\$7,850	\$4,792	\$1,772	\$1,564	\$128,536
Meals	\$1,618	\$3,977	\$9,898	\$99	\$4,892	\$391	\$71	\$4,246	\$816	\$23,248	\$1,752	\$48		\$4,326	\$86	\$2,948	\$85	\$58,501
Other	\$(99)	\$1,428	\$2,691		\$(7,790)			\$7,332		\$11,423	\$841	\$463		\$5,579	\$6,351	\$4,935	\$175	\$33,329
Registration Fees	\$13,745		\$20,015	\$699	\$43,095	\$108		\$12,188	\$9,593	\$6,730	\$1,880		\$8,082	\$12,701	\$1,485		\$549	\$130,868
Grand Total	\$29,879	\$16,675	\$96,502	\$2,146	\$57,213	\$1,265	\$210	\$39,221	\$16,800	\$78,289	\$13,410	\$2,379	\$8,082	\$30,456	\$16,842	\$9,655	\$2,619	\$421,643

*Amounts may be different from other schedules in the report due to rounding.



JSI/JTI Expense Type For Fiscal Year 2010*

Expense Type	ASTD Seminar	IFEB Conference	JP Meeting	National Safety Conference	Other/Miscellaneous	Oxnard	Power Gen Conference	Seattle	USOLN	Grand Total
Airfare	\$99	\$1,173		\$240	\$655	\$4,659	\$958	\$3,254	\$219	\$11,258
Ground Transportation	\$99	\$476	\$39		\$2,324		\$44	\$874	\$27	\$3,883
Hotels		\$1,588	\$100	\$414	\$3,520	\$4,278	\$866	\$4,792	\$1,564	\$17,122
Meals		\$175	\$71		\$1,416	\$1,752	\$48	\$86	\$85	\$3,633
Other	\$(99)	\$(6,527)			\$(2,881)	\$841	\$463	\$6,351	\$175	\$(1,678)
Registration Fees		\$8,203		\$515	\$2,086	\$1,880		\$1,485	\$549	\$14,717
FY 2010	\$99	\$5,088	\$210	\$1,169	\$7,119	\$13,410	\$2,379	\$16,842	\$2,619	\$48,936

*Amounts may be different from other schedules in the report due to rounding.

JSI/JTI Expense Type For Fiscal Year 2011*

Expense Type	Boeing	EPRI Conference	IFEB Conference	NACE Conference	National Safety Conference	Other/Miscellaneous	Power Plant Conference	Safety Summit/Strategic Planning	Solar Conference	Grand Total
Airfare		\$6,592	\$222	\$1,844	\$338					\$8,995
Ground Transportation		\$413	\$452	\$176		\$141				\$1,182
Hotels	\$821	\$14,095	\$4,194	\$1,694	\$2,672	\$5,102		\$4,850	\$1,772	\$35,201
Meals	\$1,174	\$4,194	\$1,150	\$2,039	\$816	\$2,745		\$1,090	\$2,948	\$16,156
Other	\$103		\$100	\$7,135		\$11,801		\$3,735	\$4,935	\$27,808
Registration Fees		\$717	\$6,736	\$3,320	\$5,677		\$8,082			\$24,532
FY 2011	\$2,098	\$26,012	\$12,853	\$16,208	\$9,503	\$19,790	\$8,082	\$9,674	\$9,655	\$113,874

*Amounts may be different from other schedules in the report due to rounding.



JSI/JTI Expense Type For Fiscal Year 2012*

Expense Type	Booing	EPRI Conference	ICU Conference	IFEB Conference	Incident Prevention	Other/ Miscellaneous	Safety Summit/Strateg ic Planning	Grand Total
Airfare	\$3,472	\$5,415	\$508	\$803	\$50	\$1,119		\$11,366
Ground Transportation	\$872	\$382	\$246	\$601	\$178	\$375		\$2,754
Hotels	\$6,006	\$11,274	\$593		\$537	\$1,436	\$3,000	\$22,846
Meals	\$2,802	\$3,154	\$99	\$1,146	\$391	\$3,157	\$3,237	\$13,988
Other	\$1,325	\$2,691		\$1,770		\$933	\$1,844	\$8,563
Registration Fees		\$11,668	\$699	\$17,093	\$108			\$29,568
FY 2012	\$14,577	\$34,584	\$2,146	\$21,413	\$1,265	\$7,020	\$8,081	\$89,085

*Amounts may be different from other schedules in the report due to rounding.

JSI/JTI Expense Type For Fiscal Year 2013*

Expense Type	ASTD Seminar	EPRI Conference	IFEB Conference	NACE Conference	National Safety Conference	Other/ Miscellaneous	Safety Summit/Strateg ic Planning	Grand Total
Airfare	\$150	\$6,850	\$148	\$316		\$5,830		\$13,294
Ground Transportation	\$196	\$330		\$452		\$2,539		\$3,517
Hotels	\$10,742	\$3,805	\$7,360	\$10,974		\$7,068		\$39,949
Meals	\$1,113	\$564	\$2,420	\$2,207		\$7,077		\$13,381
Other			\$(1,657)	\$197		\$1,570		\$111
Registration Fees	\$10,745		\$11,762	\$8,868	\$2,851	\$1,529	\$12,701	\$48,456
FY 2013	\$22,946	\$11,549	\$20,033	\$23,014	\$2,851	\$25,614	\$12,701	\$118,707

*Amounts may be different from other schedules in the report due to rounding.



JSI/JTI Expense Type For Fiscal Year 2014*

Expense Type	ASTD Seminar	EPRI Conference	IFEB Conference	National Safety Conference	Other/Miscellaneous	Grand Total
Airfare	\$884	\$7,943		\$470	\$2,558	\$11,855
Ground Transportation	\$95	\$609		\$838	\$763	\$2,304
Hotels	\$2,351	\$6,191		\$1,419	\$3,458	\$13,419
Meals	\$505	\$1,986			\$8,853	\$11,343
Other			\$(1,475)			\$(1,475)
Registration Fees	\$3,000	\$7,629	\$(699)	\$550	\$3,115	\$13,595
FY 2014	\$6,835	\$24,357	\$(2,174)	\$3,277	\$18,746	\$51,042

*Amounts may be different from other schedules in the report due to rounding.

