Los Angeles Unified School District
Office of the Inspector General

Incurred Cost Audit
NSA Construction Group, Inc.
Contract No. 4400012532

26-1021
November 3, 2025

Sue Stengel
Inspector General

Los Angeles Unified School District
Office of the Inspector General

November 3, 2025

Mr. Matthew Friedman, Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: NSA Construction Group, Inc. – Contract No. 4400012532

Dear Mr. Friedman:

Enclosed is the final report on our audit of Contract No. 4400012532 awarded to NSA Construction Group, Inc.

Please contact our office if you have any questions.

Sincerely,

Mark H. Pearson
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Mark Pearson, CPA, CFE, CIGA
Assistant Inspector General, Audits

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Sue Stengel, Esq., CIG
Inspector General

Attachment

c: Krisztina Tokes, Chief Facilities Executive
Edward Cadena, Director of Facilities Project Execution
Andrea Reyes, Special Assistant to Chief Facilities Executive
Jorge Ballardo, Deputy Chief Procurement Officer
Cynthia Vargas, Contract Administration Analyst
Ivory King, Procurement Policy Officer
Dana Greer, Deputy Chief Procurement Officer
Lissette Pacheco, Principal Administrative Analyst
Cheri Thomas, Principal Administrative Analyst

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Audit of NSA Construction Group, Inc.
Contract No. 4400012532

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) audited Contract No. 4400012532[1] (Contract) awarded to NSA Construction Group, Inc. (NSA) for construction services performed at Marlton Special Education Center. The audit assessed NSA's invoiced costs, completion of contract deliverables, and the Los Angeles Unified School District's(District) administration of change orders (COs),[2] with the goal of supporting transparency, compliance, and accountability in contract execution.

Audit Conclusions:

- Between December 29, 2023, and June 30, 2025, NSA submitted 14 Applications for Payment (Pay App),[3] invoicing $3,382,641. All billed amounts were adequately supported, allowable, approved by the Owner Authorized Representative (OAR),[4] and in accordance with contract terms and conditions.

- NSA completed the scope of work outlined in the Pay App's Schedule of Values (SOV)[5] according to the terms and conditions of the Contract. The percentage of construction work completed was approved by the District, adequately documented, and confirmed through inquiries with the OAR, the Inspector of Record (IOR),[6] and a site walkthrough.

- The District approved 27 COs with a combined value of $167,135 under the Contract, increasing the contract value by 4.3%. All 27 change orders were properly approved, adequately documented, and awarded in accordance with the Facilities Services Division (FSD)'s policies and procedures.

INTRODUCTION

On December 29, 2023, the District executed Contract No. 4400012532 with NSA for construction services to improve program accessibility at the Marlton Special Education Center to comply with Title II of the Americans with Disabilities Act (ADA).[7]

The project scope of work included doors/hardware, accessible paths of travel, signs, restrooms, drinking fountains, assistive listening devices/intercoms/phones, concrete ramps, an assembly seat,

[1] Contract No. 4400012532 - NSA Construction Group, Inc. - Marlton Special Education School ADA Improvements.
[2] A change order is a written instrument confirming a change or adjustment to the contract amount, milestones, and/or contract time and/or addition, deletion, or revision in the work.
[3] An Application for Payment is a written request for payment submitted by the contractor to the District. It includes a detailed breakdown of the work completed, the percentage of work done, and the amount due for payment.
[4] The Owner Authorized Representative is the designated authorized representative of the owner who administers the Contract.
[5] The Schedule of Values is a comprehensive document that lists every billable item or task in a construction project along with its corresponding dollar value.
[6] The Inspector of Record is the inspector approved by the Division of the State Architect (DSA) and employed by the owner in accordance with the requirements of the Title 24 of the California Code of Regulations.
[7] The Americans with Disabilities Act, or ADA, is legislation that provides civil rights protection to individuals with physical and mental disabilities and guarantees them equal opportunity in public accommodations, employment, transportation, state and local government services, and telecommunications.

railings, locker upgrades, a playground component, a parking area, casework/counters, door modifications/auto openers, a covered walkway and a new elevator/stage lift.

The Contract's original amount was $3,884,000. As of June 30, 2025, the District approved 27 COs against the Contract, increasing the contract amount by $167,135 to $4,051,135, which represents a 4.3% increase over the original contract amount.

SCOPE AND OBJECTIVES

Our audit covered costs invoiced by NSA to the District under the Contract from its inception through June 30, 2025.

The objectives of our audit were to determine whether:

1. The completion of the scope of work was approved by the District and adequately documented.

2. The billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions.

3. Contract change orders were properly approved and adequately documented.

METHODOLOGY

To accomplish our audit objectives, we performed the following procedures:

- Interviewed District staff to obtain an understanding of the District's internal control process for the construction process.

- Interviewed the project's OAR to obtain an understanding of the Contract's scope of work and the status of the project.

- Interviewed the IOR to obtain an understanding of the inspection process.

- Interviewed NSA's project manager and accounting personnel about NSA's internal controls and business operations.

- Examined payment applications to ensure that District personnel reviewed and approved them. This included a review of the project schedule of values, the percentage of completion, and the amount invoiced for each line item of work, as well as the total retainage amount.[8]

[8] Retainage is a common practice in the construction industry where the project owner withholds a certain percentage of the contract amount from payments to the contractor until the project is substantially complete and has passed any required inspections or tests. This withheld amount serves as security to ensure that the contractor completes all necessary work satisfactorily, addresses any deficiencies or punch-list items, and fulfills all contractual obligations.

- Reviewed inspection reports to substantiate the progress claimed on the payment application.

- Conducted a site visit at Marlton Special Education Center to visually confirm that the ADA program accessibility improvements were completed according to the project's scope of work.

- Interviewed the school administrator for feedback on the completed scope of work.

- Reviewed District policies and procedures for approving and issuing COs.

- Reviewed the supporting documentation for the COs, including change order proposals (COP),[9] Fair Cost Estimate (FCE),[10] and Record of Negotiation forms,[11] to ensure compliance with FSD's change order policies and procedures.

- Verified the following:

  - The District representative properly authorized the project CO packages.
  - The proposed amounts were supported by a district-prepared FCE and a COP.
  - The final negotiated costs were justified based on the required scope of work.

- Reviewed approved change orders to verify that the correct bond cost was charged based on the contractor's actual project bond rate.

RESULTS OF AUDIT

1. The completion of the scope of work was approved by the District and adequately documented.

The District executed a Contract for construction services to enhance program accessibility at Marlton Special Education Center in compliance with ADA requirements. The scope of work included upgrades such as doors/hardware, accessible pathway, signage, restrooms, drinking fountains, assistive listening systems, concrete ramps, accessible furniture, an assembly seat, railings, locker upgrades, a playground component, a parking area, casework and counter adjustments, a door modification/auto opener, a covered walkway and a new elevator/stage lift.

We performed audit procedures to verify that the completion of the scope of work was approved by the District and adequately documented, which included, but were not limited to the following: (i) reviewed the Pay App's SOV for the progress and completion status of the scope of work, and District approval, (ii) interviewed the project's OAR and IOR to obtain an understanding of the scope of work,

[9] A Change Order Proposal is a written instrument prepared and issued by the contractor, setting forth proposed adjustments to the contract amount, milestones, and/or contract time, and/or an addition, deletion, or revision in the work.
[10] A Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed change order prepared by the OAR, Project Estimator, or the Estimating Unit.
[11] A Record of Negotiation is a form that documents discussions and negotiations of the cost and schedule impacts of the change order to the existing Contract.

the status of the project, and the inspection process, (iii) interviewed NSA's project manager for the progress and completion status of the scope of work, and interviewed the school administrator for feedback on the completed work. The audit team also reviewed inspection reports to substantiate the progress claimed in the SOV.

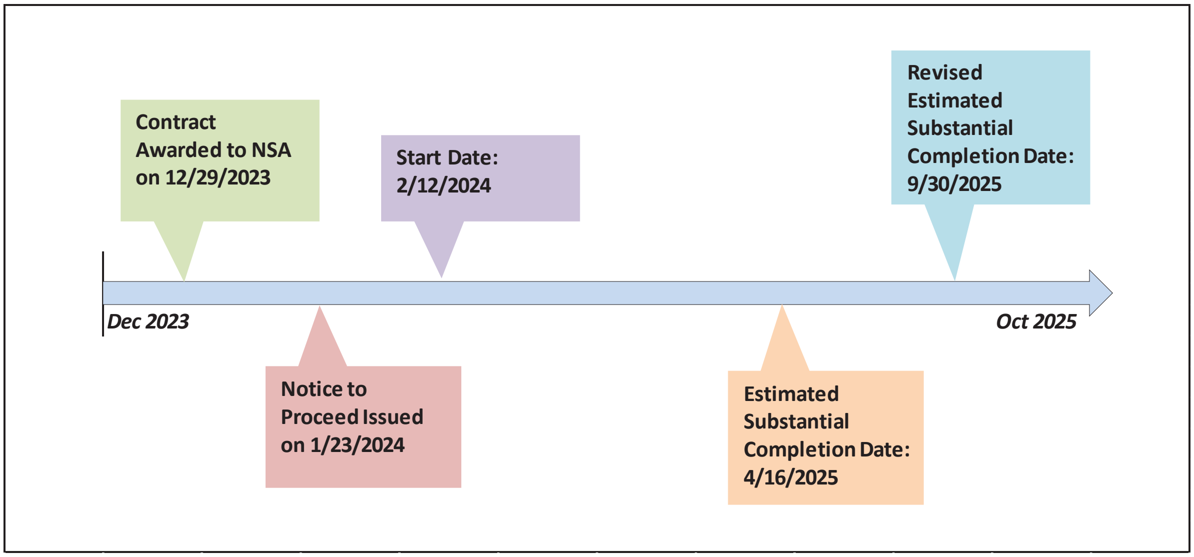
We also conducted a site visit at Marlton Special Education Center to visually confirm the completion of ADA program accessibility improvements for a judgmentally selected sample of 30 identified barriers. Table 1 below summarizes the sample tested.

Table 1
Summary of ADA Improvements Tested

Description	ADA Improvement	No. of Improvements Tested	Percentage
Drinking fountains	Railings, wing guards, and drinking fountains	8	27%
Parking area	Signage and slope	5	17%
Restrooms	Single-user restroom, clearance, and grab bar	4	13%
Doors/hardware	Doors, doorway clearance, and door hardware	3	10%
Concrete ramps	Interior and Exterior accessible paths and slope	3	10%
Stairs	Contrasting stripe or marked stair treads	2	7%
Locker upgrades	Bench in dressing/fitting rooms	2	7%
Casework/counter	Service counter	1	3%
Path of travel	Aisle width between bookshelves in the library	1	3%
Lift/elevator	Stage lift connecting the assembly seating area to the performing stage area	1	3%
Total		**30**	**100%**

During our interview, the OAR stated that he meets with the contractor to assess construction progress and verify completion percentages listed in the Pay App's SOV before authorizing any payments. Both the OAR and the IOR conveyed their satisfaction with the contractor's performance, while the school administrator confirmed her approval of the overall construction work and the ADA upgrades. Figure 1 illustrates the updated construction project timeline, reflecting a construction delay resulting in a revised estimated substantial completion date.

Figure 1
Project Timeline



The OAR attributed the construction delay primarily to design deficiencies (refer to item No. 3 below regarding change orders).

Based on the procedures performed, we determined that the completion of the scope of work was approved by the District and adequately documented. We also confirmed that the scope of work was completed in accordance with the Contract's terms and conditions, and in compliance with ADA requirements.[12]

See Exhibit A for photographs taken of the completed scope of work.

2. **The billed amounts were adequately supported, allowable and in accordance with contract terms and conditions.**

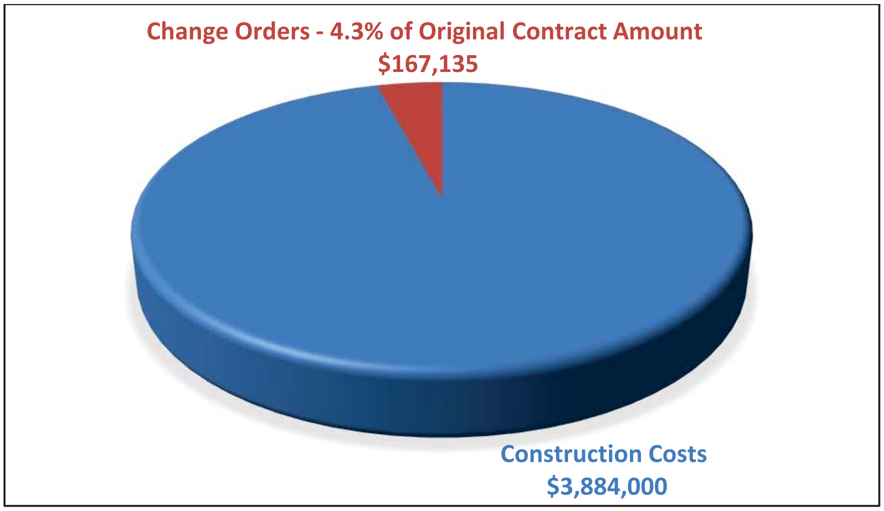
The original contract amount for the project was $3,884,000. From the contract inception through June 30, 2025, the District approved 27 change orders totaling $167,135, which increased the contract value to $4,051,135. The increase represented a 4.3% change from the original contract amount compared to an average change order rate of 8-14% for all capital construction projects[13] and the District's overall change order rate of 13.12% for formal construction contracts.[14] The authorized contract amount to date is presented in Table 2 and Figure 2.

[12] California Access Compliance Advisory Reference Manual - Division of The State Architect.
[13] According to Gordian's "Reducing the Impact of Change Orders," on average, change orders account for approximately 8-14% of all capital construction dollars.
[14] Based on formal contract change order rates in the FSD Consolidated Monthly Program Status Report prepared for the Bond Oversight Committee in October 2024.

Table 2
Authorized Contract Amount to Date

Description	Contract Amount
Construction Costs	3,884,000
Change Orders	167,135
Total Contract Amount	**$ 4,051,135**

Figure 2
Breakdown of Authorized Contract Amount to Date



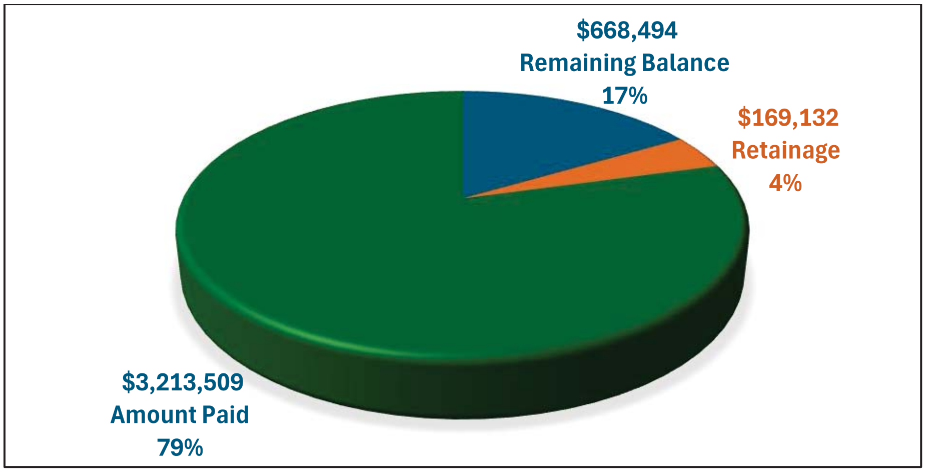
As of the Pay App No. 14 submitted on June 6, 2025, and approved by the District on June 13, 2025, NSA has invoiced the District $3,382,641, representing 83.5% of the total contract amount for work performed through May 31, 2025. This total was based on the claimed work completed for each construction line item on the SOV. As of June 30, 2025, the District paid $3,213,509 of this total, with the remaining $169,132 withheld for the required retainage.

Table 3 summarizes the total payment and retained amount to date, as reported on the Pay App. Correspondingly, Figure 3 shows the breakdown of the total percentage and amount paid, retained, and remaining balance to be completed.

Table 3
Total Payment and Retainage

Description	Authorized Contract Amount	Invoiced Amount	Percentage Completed	Amount Paid	Amount Retained
Construction Cost	$3,884,000	$3,234,449	83.3%	$3,072,727	$161,722
Change Orders	167,135	148,192	88.7%	140,782	7,410
Total	**$4,051,135**	**$3,382,641**	**83.5%**	**$3,213,509**	**$169,132**

Figure 3
Percentage and Amount Paid, Retained, and Remaining Balance



We tested the total amounts invoiced, paid, and retained to date according to the Pay App No. 14 by performing the following audit procedures:

- Reviewed the contract documents to understand the contract terms and conditions and the required scope of work of the project.
- Interviewed the OAR to understand the payment review and approval process.
- Obtained an understanding of NSA's policies, procedures, and internal controls over the requirements related to the Contract.
- Reviewed the completed percentage of work by line item for each division per the SOV for reasonableness.
- Reviewed inspection reports to substantiate the progress claimed on the payment application.
- Validated that the billed construction costs to date were authorized and did not exceed the original authorized contract value.
- Compared the invoiced amount of each change order in the Pay App against the amount per the District's Consolidated On-Line Information Nexus or COLIN Change Management system[15] to validate that the change order amount was authorized and approved.
- Verified that the Pay App was properly reviewed and approved by the OAR before payment.

[15] The Consolidated On-Line Information Nexus, or COLIN Change Management system, is the District's software application utilized by the Facilities Services Division to store and track construction project information.

- Verified that the District accurately calculated the required retainage amount of $169,132 or 5% of the invoiced amount, payment-to-date amount of $3,009,113 as of May 31, 2025, and payment due of $204,395 on the Pay App.

- Validated that the District paid the approved invoiced amount of $3,213,509 on the Pay App, net of the retainage amount.

Based on the procedures performed, we determined that the amounts invoiced, paid, and retained for the completed work to date, as reflected on the Pay App No. 14, were adequately supported, allowable and in accordance with contract terms and conditions.

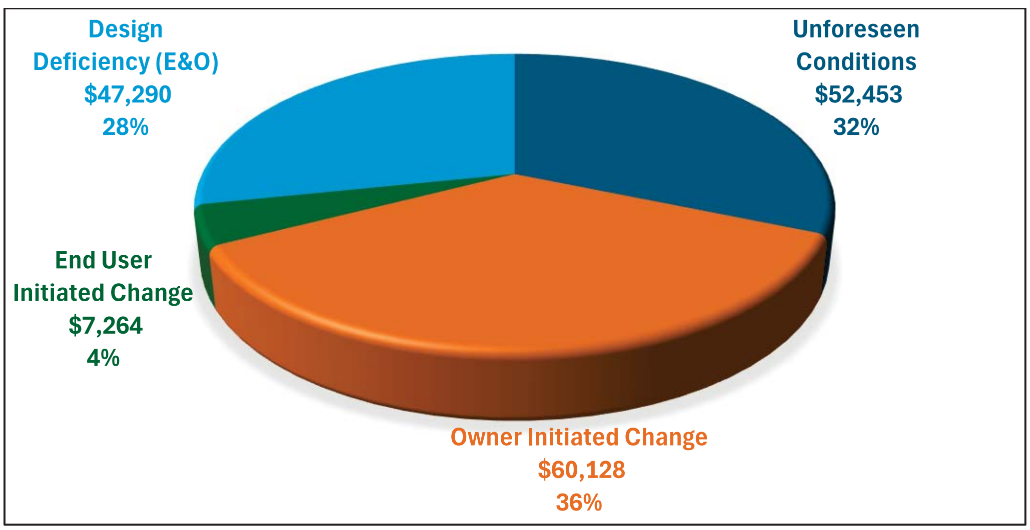
3. Contract change orders were properly approved and adequately documented.

The District's FSD Change Order Procedures 14.16 outlined the policies and procedures for preparing and processing COs.[16]

We tested all 27 approved COs as of June 30, 2025, and based on our review of the CO packages, we concluded that FSD adhered to CO policies and procedures in executing the COs under this Contract. The results from our test are as follows:

- The OAR completed the Justification for Contract Modification forms explaining why the CO was necessary. Figure 4 shows a breakdown of the COs by justifications and total amounts.

Figure 4
Summary of Change Orders and Justifications



- The OAR obtained or prepared an independent FCE for the CO work.

[16] Facilities Services Division Change Order Procedures 14.16.

- The OAR obtained a COP from the contractor detailing the proposed adjustment to the existing contract amount and a breakdown of the costs related to the CO work.

- The OAR completed Record of Negotiation forms documenting the discussions and negotiations of the cost or impact of the CO on the existing Contract.

- The COs were approved by the appropriate level of management.[17]

  All but two of the 27 COs applied a bond rate of 1% instead of the correct 0.96% rate. However, the impact was minimal, resulting in an overstated bond cost of only $1.38, which is immaterial. As such, this discrepancy did not warrant classification as an audit finding.

- The CO package was complete and Board-approved by authority delegated to the District's Facilities Contracts Branch.

See Exhibit B for a complete list of approved COs, total amounts, and the percentage of the original contract amount.

AUDIT TEAM

This audit was performed by the following auditors:

Maria Thomas, Audit Manager
Armando Ng, Principal Auditor
Jeanette Polynice, Senior Auditor

[17] The OAR may authorize Change Orders which individually do not exceed $50,000. The Senior Project Manager or Construction Manager must also sign all change orders. The Regional Construction Director must authorize change orders which individually do not exceed $100,000. The Deputy Director of Facilities Project Execution must authorize change orders which individually do not exceed $500,000. The Director of Facilities Project Execution must authorize change orders which individually do not exceed the lower of 15% of the original contract price or $500,000.

Independent Auditor's Report

We have examined the amounts billed by NSA Construction Group, Inc. (NSA) under contract number 4400012532 (Contract) for the work performed between December 29, 2023 and May 31, 2025. Our examination focused on whether the scope of work completed was approved by the District and adequately documented, and whether the amounts billed accurately reflected the scope of work completed, as required by the terms and conditions of the Contract. Additionally, we reviewed whether the change orders executed complied with the District's policies and procedures. NSA's management is responsible for the accuracy of the amounts billed under the Contract. Our responsibility is to express an opinion on these matters based on our examination.

Our examination was conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the accuracy of NSA's amounts billed and reviewing the change orders executed for compliance with District policies and procedures. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of NSA's compliance with the specified requirements.

In our opinion, for the period from December 29, 2023, through June 30, 2025; the scope of work completed was approved by the District and adequately documented, the amounts billed by NSA were adequately supported and allowable in accordance with the Contract's terms and conditions in all material respects, and; the change orders were executed according to FSD's Change Order Procedures 14.16.

Mark H. Pearson

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Mark H Pearson, CPA, CFE, CIGA
Assistant Inspector General, Audits

October 16, 2025

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Exhibit A
Photographs of The Completed Scope of Work

Parking Slope

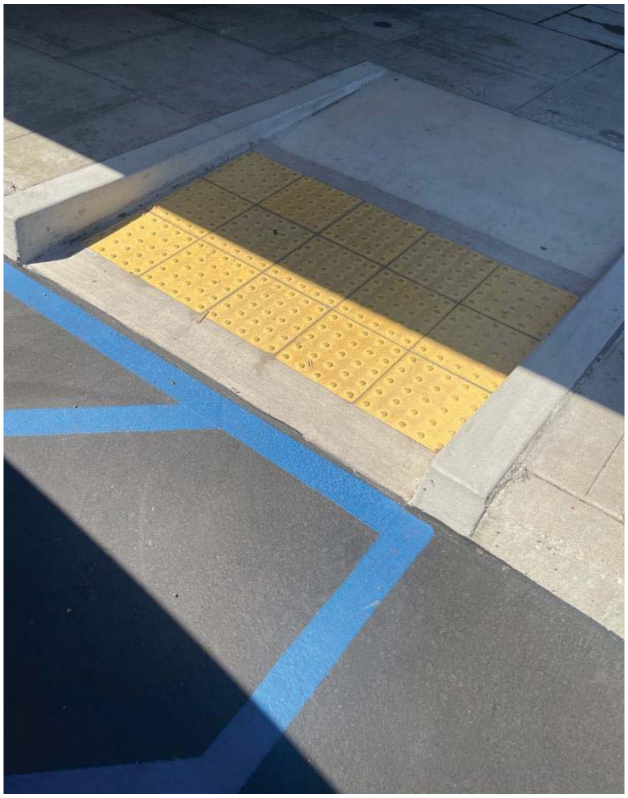
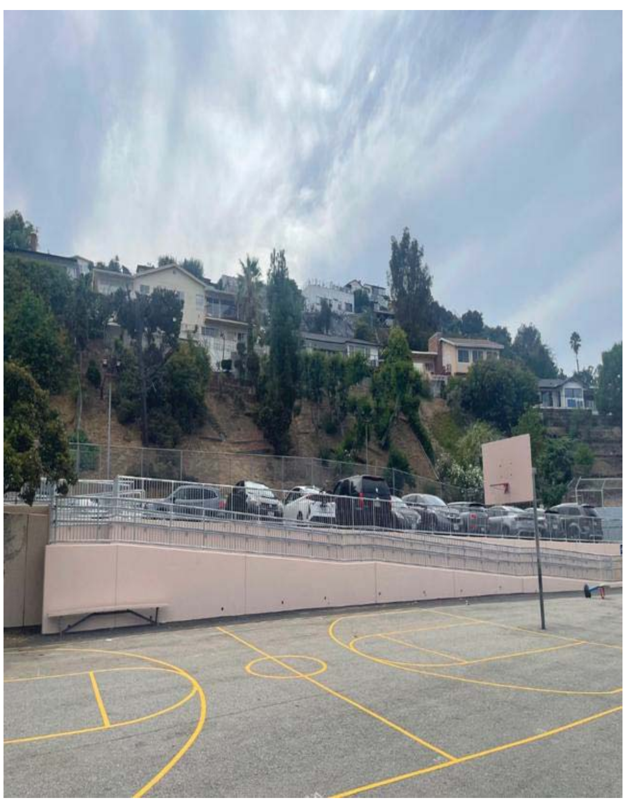
11B-403.3 Slope. The running slope of walking surfaces shall not be steeper than 1:20.

Van Accessibility and Fine

11B-502.6 Identification. Parking space identification signs shall include the International Symbol of Accessibility in white on a blue background. Signs identifying van parking spaces shall contain additional language or an additional sign with the designation "van accessible." Signs shall be 60 inches (1524 mm) minimum above the finish floor or ground surface, measured to the bottom of the sign.

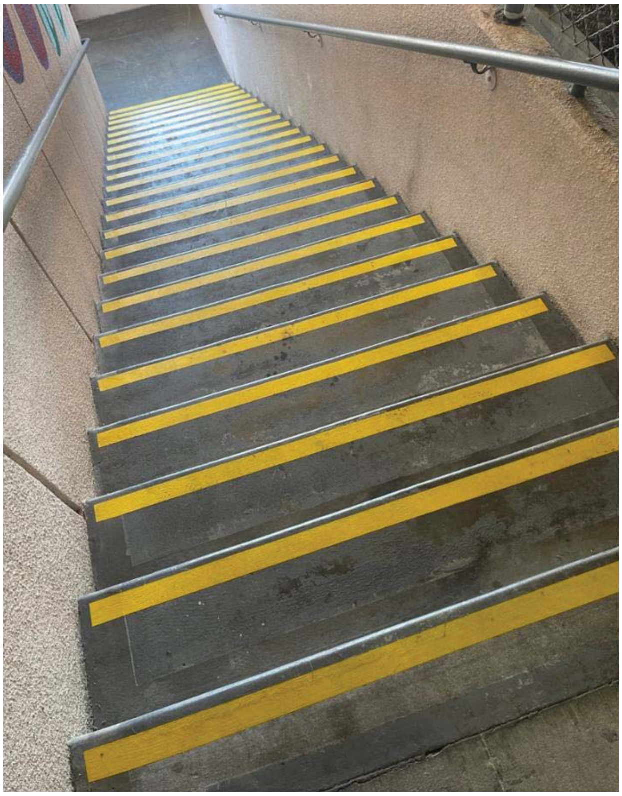
11B-502.6.2 Minimum fine. Additional language or an additional sign below the International Symbol of Accessibility shall state "Minimum Fine $250."

Photographs of The Completed Scope of Work

	***Warnings – Truncated Dome*** **11B-705.1.1 General**. Detectable warnings shall consist of a surface of truncated domes and shall comply with Section 11B-705.
	***Ramps – Levels*** **11B-206.2.3 Multi-story buildings and facilities**. At least one accessible route shall connect each story and mezzanine in multi-story buildings and facilities.

	***<u>Water Fountain - High</u>*** **11B-602.7 Drinking fountains for standing persons.** Spout outlets of drinking fountains for standing persons shall be 38 inches (965 mm) minimum and 43 inches (1092 mm) maximum above the finish floor or ground.
	***<u>Water Fountain - Low</u>*** **11B-602.4 Spout height.** Spout outlets shall be 36 inches (914 mm) maximum above the finish floor or ground.

Photographs of The Completed Scope of Work



Stairs – Constrasting Stripe

11B-504.4.1 Contrasting stripe. Interior stairs shall have the upper approach and lower tread marked by a stripe providing clear visual contrast. Exterior stairs shall have the upper approach and all treads marked by a stripe providing clear visual contrast.

Doors - Hardware

11B-404.2.7 Door and gate hardware. Handles, pulls, latches, locks, and other operable parts on doors and gates shall comply with Section 11B-309.4. Operable parts of such hardware shall be 34 inches (864 mm) minimum and 44 inches (1118 mm) maximum above the finish floor or ground. Where sliding doors are in the fully open position, operating hardware shall be exposed and usable from both sides.

Photographs of The Completed Scope of Work

	***Wheelchair Lift - Performance Area*** **11B-206.2.6 Performance areas**. Where a circulation path directly connects a performance area to an assembly seating area, an accessible route shall directly connect the assembly seating area with the performance area.

Exhibit B
Summary of Approved Change Orders

CO No.	Description of Work	CO Amount	% of Original Contract
T-501	Chairlift	$ 54,797.00	1.41%
T-502	East Ramp Over Excavation	10,683.00	0.28%
T-503	Chip (E) footing concrete to accommodate plumbing tie-in in bathrooms - Kindergarten	1,105.00	0.03%
T-504	Student Accessibility Assistance during the construction of the Marlton Ave. ramp	3,864.00	0.10%
T-505	Match the new locker colors to the existing ones	1,219.00	0.03%
T-506	New artwork for the admin counter	1,198.00	0.03%
T-507	Remove and cap existing floor drains under the floor - two locations	816.00	0.02%
T-508	Remove existing vent, cap duct at Nurse's office	442.00	0.01%
T-509	Chip the existing concrete at the bottom of the west ramp	819.00	0.02%
T-510	Ceiling mount strobe	5,800.00	0.15%
T-511	New Stud wall at Nurse's office Restroom (RR)	3,000.00	0.08%
T-512	Relocate the door due to electrical in the way - Nurse's office	1,785.00	0.05%
T-514	Electrical and Fire Alarm at Nurse's office & RR	10,886.00	0.28%
T-516	Added angle - Boys RR, bldg A	3,130.00	0.08%
T-517	Chairlift surface-mount motion sensor light	1,542.00	0.04%
T-518	Parking Area - Block Weep holes and recompact due to water seepage	10,853.12	0.28%
T-519	Additional expansion joint at West Ramp	876.00	0.02%
T-522	Relocation of the lay-down area due to sodding the field	7,264.00	0.19%
T-523	Plumbing rework per new design	18,943.00	0.49%
T-524	Replace a cracked section of a cast iron pipe	2,923.00	0.08%
T-525	Replace the existing shut-off valve	1,063.00	0.03%
T-526	Remove fireproofing materials above the ceiling at Bldg. A 2nd Floor boys + girls RR	6,261.00	0.42%
T-527	Relocation of the vent pipe obstruction	765.00	0.02%
T-529	Adding a 4x4 Angle at Bldg B 1st Floor Boys RR	1,707.00	0.04%
T-532	Light Fixture at Bldg B 2nd Floor girls RR	1,467.00	0.04%
T-538	Additional HSS post and Furr partition - Chairlift	3,426.00	0.09%
T-539	Fabrication of a bent plate for the chairlift landing railings	501.00	0.01%
Total		**$ 167,135.12**	**4.3%**

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