

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

**Incurred Cost Audit
Danny Letner, Inc.
Contract No. 4400011596**

**CA 25-1467
September 29, 2025**

**Sue Stengel
Inspector General**





Los Angeles Unified School District Office of the Inspector General

Scott M. Schmerelson, President
Sherlett Hendy Newbill
Dr. Rocio Rivas
Nick Melvoin
Karla Griego
Kelly Gonez
Tanya Ortiz Franklin
Members of the Board

Alberto M. Carvalho
Superintendent

Sue Stengel
Inspector General

September 29, 2025

Mr. Dennis Bradburn
Director of Maintenance and Operations
Maintenance and Operations Branch
Los Angeles Unified School District
333 S. Beaudry Avenue
Los Angeles, CA 90017

Ms. Krisztina Tokes
Chief Facilities Executive
Facilities Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue
Los Angeles, CA 90017

RE: Danny Letner, Inc.
Contract No. 4400011596

Dear Mr. Bradburn and Ms. Tokes:

This is the final report on our audit of Contract No. 4400011596 that was awarded to Danny Letner, Inc.

Please contact our office if you have any questions.

Sincerely,

Mark H. Pearson

Digitally signed by Mark H. Pearson
DN: cn=Mark H. Pearson, o=ou,
email=mark.pearson1@lausd.net, c=US
Date: 2025.09.29 12:04:53 -0700

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

Sue Stengel

Digitally signed by Sue Stengel
DN: cn=Sue Stengel, o=OIG, ou=OIG,
email=susan.stengel1@lausd.net, c=US
Date: 2025.09.29 17:14:08 -0700

Sue Stengel, Esq., CIG
Inspector General

c: Alix O'Brien, Matt Friedman, Jorge Ballardo, Mark Bustamante, Andrea Reyes, Chris Alejo, Mark Cho, Rachel Chua, Stuart Hein, Mike Sanabria

333 South Beaudry Avenue, 12th Floor, Los Angeles, California 90017
Telephone: (213) 241-7700 Fax: (213) 241-6826
Inspector.general@lausd.net

TABLE OF CONTENTS

Executive Summary	1
Introduction	2
Scope and Objectives	2
Methodology	3
Results of Audit	4
Audit Team	13
Independent Auditor's Report	14
Attachment A – Verbatim Response from Danny Letner, Inc.	15
Attachment B – Verbatim Response from M&O	16
Exhibit A – Aerial view of Sun Valley Magnet School Roof Replacement Area	19
Exhibit B – Photos after roofing replacement	20



Audit of Danny Letner, Inc. Contract No. 4400011596

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) audited Contract No. 4400011596¹ (Contract) awarded to Danny Letner, Inc., to remove and replace the roofing for several buildings at Sun Valley Magnet School. We conducted the audit pursuant to our 2024-2025 work plan to ensure transparency, compliance, and accountability in executing the Los Angeles Unified School District's (District) roofing project. The conclusions and recommendations from our audit are detailed below.

For the period from May 15, 2023, through December 31, 2024, Danny Letner, Inc. invoiced the District 11 invoices totaling \$4,730,773 for the percentage of completed construction work as outlined in the Contract's Schedule of Values (SOV).² The total amount billed to date was properly authorized and adequately supported in all material respects, except as noted below.

Danny Letner, Inc. completed the contracted scope of work in compliance with the terms and conditions of the Contract for the audit period, except for the specific conditions mentioned below.

Audit Findings

- The Facilities Services Division's (FSD) change order policies and procedures were complied with in executing the change orders, with the exception that Danny Letner, Inc. did not charge bond costs on change orders based on their actual bond rate. The costs charged for change orders exceeded actual bond costs by \$8,783.
- The milestone date for substantial completion was not achieved as of March 31, 2025. Concerns arose about transparency, project oversight, and overall accountability because of differing perspectives between the contractor and the District regarding the causes of the delays, combined with the contractor's and Maintenance and Operations' (M&O) lack of timely responses in providing supporting documentation and unclear justification for time extensions.

Recommendations

Recommendation No. 1 – Danny Letner, Inc. should issue a credit change order in the amount of \$8,783 to the District for overstated bond costs.

Recommendation No. 2 - Danny Letner, Inc. should apply its actual bond rate when proposing bond costs for future change order work.

Recommendation No. 3 – M&O should strengthen its oversight of project delays and time extensions with associated change orders by implementing clear documentation and communication protocols. This should include (i) maintaining records that justify the reasons for the delays and any schedule

¹ [lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit files/Contract No. 4400011596.pdf](https://lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Contract%20No.%204400011596.pdf)

² 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.



Audit of Danny Letner, Inc. Contract No. 4400011596

adjustments – including time impact analyses, and (ii) clearly documenting how delays are calculated.

Recommendation No. 4 – In cases where liquidated damages may be applicable, the OAR should prioritize enforcing those provisions rather than approving time extensions that may relieve the contractor of accountability for avoidable delays.

Observation

M&O did not ensure the change order proposal was submitted and approved prior to the approval of the related change order or that the reasons for the change order amount were properly recorded in the Record of Negotiation.

Responses

Facilities Service Division – M&O agreed with the recommendations and provided an action plan to address them. Refer to the Results of Audit section for details.

INTRODUCTION

On May 15, 2023, the District entered into Contract No. 4400011596 with Danny Letner, Inc. to replace the deteriorated roofs of 11 buildings and two arcades³ at Sun Valley Magnet School.⁴ The initial contract was awarded for \$4,155,288.

As the project progressed, six change orders were issued between the start of the Contract and December 31, 2024. These changes increased the total contract amount by \$721,254, a 17% increase, bringing the revised total to \$4,876,542. The substantial completion was also extended by 460 days - from the original deadline of February 3, 2024, to May 8, 2025. As of December 31, 2024, the District had paid \$4,494,234 to Danny Letner, Inc. for work completed.

According to the OAR, the need for the roofing project was identified following inspections conducted by the M&O team. A Roofing Technical Supervisor determined that the roofs had exceeded their expected lifespans and required full replacement. Based on that assessment, the District contracted Danny Letner, Inc. to remove the existing roofing and install a new PVC⁵ roofing system on the 11 buildings and two arcades.

³ An arcade refers to a series of arches supported by columns or piers. While not a roofing system itself, arcades are commonly used as covered walkways, corridors, or passageways in buildings, often with a roof or ceiling above the arches.

⁴ [Summary of Work](#)

⁵ Polyvinyl Chloride roofing is a single-ply white membrane used in both commercial and residential roofing. Due to the membrane being white, it reflects heat instead of absorbing it.



Audit of Danny Letner, Inc. Contract No. 4400011596

SCOPE AND OBJECTIVES

Our examination covered payments made by the District to Danny Letner, Inc. under the Contract from May 15, 2023, through December 31, 2024.

The objectives of our examination were to determine whether:

1. The amounts billed were adequately supported and allowable in accordance with the Contract's terms and conditions.
2. The Facilities Services Division's (FSD) change order policies and procedures were complied with in executing the Change Order.
3. The scope of work and the milestones were completed as required by the Contract.

METHODOLOGY

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

- Reviewed the contract and relevant documents to understand the required scope of work and contract terms and conditions.
- Interviewed M&O's personnel to obtain an understanding of the District's internal controls and processes regarding change orders.
- Interviewed Danny Letner, Inc.'s management about Danny Lenter, Inc.'s internal controls and business operations.
- Interviewed the project's Owner Authorized Representative (OAR)⁶ and Roofing Inspector to obtain an understanding of the Contract's scope of work and the status of the project.
- Reviewed the Contract's General Conditions⁷ and the District's Change Order Procedures.
- Interviewed a Project Execution estimator to obtain an understanding of the process for preparing independent Fair Cost Estimate (FCE).⁸
- Reviewed the latest Payment Application⁹ (Pay App) and supporting documents to validate the

⁶ The Owner Authorized Representative is the designated authorized representative of the owner who administers the contract.

⁷ [https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/GHS - CONTRACT DB General Conditions 2017 08.01 FINAL 3.pdf](https://www.lausd.org/cms/lib/CA01000043/Centricity/domain/184/audit_files/GHS_-_CONTRACT_DB_General_Conditions_2017_08.01_FINAL_3.pdf)

⁸ A Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed change order work estimate. The Project Estimator or the Estimating Unit completes it.

⁹ A Payment Application or Pay App is a written request for payment submitted by Danny Letner, Inc. to the District. It includes a detailed breakdown of the work completed, the percentage of work done, and the amount due for payment.



Audit of Danny Letner, Inc. Contract No. 4400011596

authorized total amount invoiced and paid to date.

- Reviewed the supporting documentation for the change orders, including the Change Order Proposal (COP),¹⁰ FCE and Record of Negotiation forms,¹¹ to ensure compliance with FSD's change order policies and procedures.
- Tested all change orders to ascertain the accuracy of the applied markup on construction cost and the appropriateness of bond costs charged.
- Conducted a site visit to view the replaced roof at Sun Valley Magnet School.

RESULTS OF AUDIT

The amounts billed were adequately supported and allowable in accordance with the Contract's terms and conditions.

The scope of work includes the removal and replacement of all roofing materials on the following buildings:

Table No. 1

Buildings	Description
Building 001BFL	Admin/Classroom
Building 003DAM	Choral Music Building
Building 004DAM	Instrumental Music Building
Building 005DON	Storage Unit
Building 006CAL	Industrial Arts
Building 007DAM	Textbook Room
Building 008CAL	Gymnasium
Building 010DAM	Classroom #2
Building 011DAM	Classroom #3
Building 012DAM	Classroom #1
Building 013DAM	Classroom #4
Building 42382	Arcade #3
Building 42403	Arcade #5

¹⁰ A Change Order Proposal (COP) 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.

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.



Audit of Danny Letner, Inc. Contract No. 4400011596

Original and Adjusted Budget

The project's original all-inclusive budget¹² was \$4,155,288. Between the start of the contract and December 31, 2024, the District issued six change orders totaling \$721,254, increasing the contract value to \$4,876,542.

Contract Progress & Payments (As of Dec 31, 2024)

Danny Letner, Inc. invoiced the District \$4,730,773, which represented 97% of the total contract amount for work performed through December 31, 2024. This total was based on the claimed progress of work related to the removal and installation of the roofing on the Schedule of Values. The District paid \$4,494,234 of this total as of December 31, 2024, with the remaining \$236,539 being withheld as retainage.¹³

Table No. 2

Description	Contract Amount	Invoiced	% Complete	Paid	Retained
General Conditions	\$ 141,000	\$ 138,930	98.53%	\$ 131,983	\$ 6,947
General Requirements	97,000	45,590	47.00%	43,310	2,280
Existing Conditions	987,000	987,000	100.00%	937,650	49,350
Wood, Plastic, and Composites	12,000	12,000	100.00%	11,400	600
Thermal and Moisture Protection	2,918,288	2,836,984	97.21%	2,695,135	141,849
Change Orders	721,254	710,269	98.48%	674,756	35,513
Total	\$ 4,876,542	\$ 4,730,773	97.00%	\$ 4,494,234	\$ 236,539

According to Section 14.1 of the Contract's General Conditions, the Schedule of Values serves as the basis for progress payments and is included in the certified Pay App. To verify the amounts invoiced, paid, and retained to date as reflected in Pay App No. 11, we performed the following audit procedures:

- Reviewed the contract documents to understand the contract terms and conditions, and the required scope of work.

¹² The total maximum amount payable by the District to the Design-Builder for the performance of the work under the Contract Documents. It is deemed to cover all losses arising out of or related to the performance of the work, including, without limitation, the effects of natural elements upon the work, unforeseen difficulties or obstructions affecting the performance of the work, and fluctuations in market conditions and price escalations (whether occurring locally, nationally or internationally) from any cause, including without limitation, causes beyond the control of and not foreseeable by the Design-Builder or its Subcontractors or sub-consultants.

¹³ Also known as retention, 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.



Audit of Danny Letner, Inc. Contract No. 4400011596

- Interviewed the OAR to understand the FSD Project Execution branch's payment review and approval process.
- Obtained an understanding of Danny Letner'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.
- Verified that the billed construction costs to date were authorized and did not exceed the original authorized contract value.
- Compared the billed amount of each change order against the amount on the COLIN Change Management system to validate that the change order amount was authorized and approved.
- Verified that Pay App No. 11 was properly reviewed and approved by the OAR, Construction Manager, and the Facilities Procurement and Payment Services Unit before payment.

Based on the procedures performed, we determined that the amounts invoiced, paid, and retained for the completed work to date, as reflected on Pay App No. 11, were adequately supported and allowable in accordance with the terms and conditions of the Contract.

The FSD's change order policies and procedures were complied with in executing the change orders, except for the overcharge of the bond costs.

As of December 31, 2024, the District issued six change orders totaling \$721,254. Five of these change orders were due to unforeseen conditions, while one was related to an owner-initiated scope change (M&O-initiated), as shown below.

Table No. 3

Change Order No.	Type	Amount
T-501	Unforeseen conditions	\$ (2,044)
T-502	Unforeseen conditions	7,267
T-503	Unforeseen conditions	661,841
T-504	Owner initiated change	n/a
T-505	Unforeseen conditions	65,000
T-506	Unforeseen conditions	(10,820)
	Total	\$ 721,254

As of December 31, 2024, Danny Letner, Inc. invoiced \$710,269, which represents 98.48% of the total authorized change orders amount of \$721,254. Below are the descriptions of each change order:



Audit of Danny Letner, Inc. Contract No. 4400011596

- CO T-501 - The school requested that the gutters not be painted due to concerns about future peeling of the paint. As a result, a credit of \$2,044 was issued to the District.
- CO T-502 - The revised asbestos report identified approximately 85 square feet of mastics that required abatement, which cost the District an additional \$7,267.
- CO T-503 - This included additional work for the replacement of arcades, lower roofs, the cafeteria, lunch pavilion, and the multipurpose room. The scope of the work consisted of the following:
 1. Removal of all edge metals, gutters, damaged downspouts, pitch pans, roof flashings, sheet metal platforms, counterflashing, and wood blocks.
 2. Removal of upper cafeteria roof, including asbestos, and lead abatement.
 3. Installation of a complete PVC roofing system on the affected structures, including two attached buildings.
 4. Installation of new clad edge metal, new galvanized counter flashing, and retainer clips.
 5. Installation of safety rails, sheet metal pans, gutters, and replacement of damaged downspouts.
 6. Installation of stainless-steel micromesh gutter guards.
 7. Installation of one PVC pressure release vent.
 8. Replacement of all wall windows and skylights with tinted, hardened tempered glass and glazing compound.
 9. Replacement of one swamp cooler, including a new on/off valve.

These change orders increased the contract costs by \$661,841 and extended the substantial completion date by 90 days, from February 3, 2024, to May 3, 2024.

- CO T-504 – This change order was issued to allow additional time for restoring the cafeteria, attached arcades, and buildings to a waterproof condition. The contractor needed an additional 90 days to complete the roofing and waterproofing work, including the installation of wall skylights. This work was necessary to maintain the integrity of the buildings and provide a safe, clean environment for students and staff. No compensable delay fees were assessed to either party. The substantial completion date was extended from May 3, 2024, to August 1, 2024.
- CO T-505 – this change order addressed several unforeseen issues that required additional work. These included dry-rot and termite damage to roof sheeting and curbs on buildings 010DAM, 011DAM, 012DAM, 013DAM, and the gymnasium. On building 001, the contractor boxed approximately six rooftop equipment supports using plywood.

Additional work included installing a tapered cricket insulation and approximately 100 linear feet of gutters, and 60 linear feet of downspouts. The work also included the installation of 60 mil PVC roofing material to the sides of wall-angled skylights on industrial arts and cafeteria roofs, and installation of new pipe supports for the round legs and roof in place. This change order added



Audit of Danny Letner, Inc. Contract No. 4400011596

\$65,000 to the contract cost and extended the substantial completion date by 45 days from August 1, 2024, to September 15, 2024.

- CO T-506 – this change order provided a \$10,820 credit to the District for three Josam drains that were not replaced as originally planned. Danny Letner, Inc. agreed to repair an area of the PVC roofing on the Industrial Arts Building where the District had to cut into the roof to replace the drain. This Change Order also extended the substantial completion date by 75 days from September 15, 2024 to November 29, 2024.

The District's Change Order Procedures detail the policies and processes governing changes in construction projects. We performed the following procedures and verified that the change order was processed and executed in accordance with the Change Order Procedures:

- Reviewed the change order procedures and interviewed the OAR and Danny Letner, Inc.'s management to understand the change order process and assigned responsibilities in the processing of change orders under this Contract.
- Reviewed the change order package, accompanying checklist, and required documents that were submitted.
- Reviewed the change order package and documentation of justification for the change in work.
- Interviewed the District's Project Cost Estimator to understand the estimating process and the estimating guides and trade pricing resources utilized to develop the FCE.
- Validated the COP amounts submitted by Danny Letner, Inc. against labor, materials, and equipment pricing breakdown/budgets.
- Verified and recalculated the applicable sales tax rates and markups for overhead and profit.
- Reviewed the performance bond and executed bond payment documents and determined the reasonableness of the bond rate applied for the executed change order.

We evaluated all six change orders to assess the appropriateness and the associated costs and found the following:

- The total value of the change orders was \$721,254, representing 17.36% of the original contract amount of \$4,155,288. The change orders were approved by the Board of Education¹⁴ through delegated authority given to Facilities Contracts.
- The District's Project Cost Estimator independently prepared a cost estimate and time impact of

¹⁴ [Board of Education Report](#)



Audit of Danny Letner, Inc. Contract No. 4400011596

CO T-503.

- Danny Letner, Inc. submitted the COP and supporting documentation, including detailed cost breakdowns, labor and material budgets, quotes, drawings, and specifications to justify the proposed costs.
- All change orders were reviewed and approved in accordance with the District's signatory change order requirements for construction, repair, modernization, and demolition projects.
- Construction cost markups complied with contract terms.
- Bond costs charged in the change orders exceeded the actual bond expense by \$8,783, as described in Finding No.1 below.
- Allowable costs included in the change orders adhered to the allowable costs defined in the contract and general conditions.

Findings

Finding No. 1 – The bond costs charged for the change orders were overstated by \$8,783.

Danny Letner, Inc. overcharged \$8,783 for bond costs on change orders compared to the actual costs. The company used various rates to calculate these costs, even though the actual bond rate was 0.66%. Danny Letner, Inc. indicated it was unclear how the previous project manager determined the bond rates used.

Recommendation No. 1

Danny Letner, Inc. should issue a credit change order in the amount of \$8,783 to the District for the overstated bond costs.

Danny Letner, Inc.'s Response

Danny Letner, Inc. agreed with the recommendation and will issue a deductive change order for \$8,783.

Facilities Services Division (FSD) - M&O Response:

FSD agreed that Danny Letner, Inc. should reimburse the District for the overstated bond cost. FSD will work with the Procurement Services Division – Facilities Contracts to request the reimbursement of \$8,783 by the fourth quarter of 2025.



Audit of Danny Letner, Inc. Contract No. 4400011596

Recommendation No. 2

Danny Letner, Inc. should apply its actual bond rate when proposing bond costs for all future change order work.

Danny Letner, Inc.'s Response

Danny Letner, Inc. indicated agreement with the recommendation and stated that it will implement a new protocol to factor only half a percent of the bond cost into all future change orders. Then it will adjust the percentage as needed after all work and change orders are finalized and request an additive change order for any understated amount of actual bond cost when appropriate. The target date to implement the new protocol is August 28, 2025.

OIG Response

Danny Letner, Inc. expressed agreement with the recommendation and proposed an alternative action plan that addresses the intent of the original recommendation. While we appreciate the contractor's responsiveness and thoughtful approach, the audit team believes that the revised change order proposal form implemented by FSD more effectively addresses the underlying issue and minimizes the risk of unintended consequences. We encourage the contractor to continue engaging with the District if it identifies opportunities to further improve the process.

Facilities Services Division (FSD) - M&O Response:

FSD agrees with the recommendation and has modified the change order proposal form to ensure contractors are submitting the actual bond rates. They have issued the updated forms to their staff.

Finding No. 2: Substantial completion¹⁵ was not achieved as of March 31, 2025.

Danny Letner, Inc. was unable to meet the milestone date for substantial completion. Differing perspectives between the contractor and the District regarding the causes of the delays, combined with the contractor's and M&O's lack of timely responses in providing supporting documentation and unclear justification for time extensions, raise concerns about transparency, project oversight, and overall accountability.

Under the Contract, the District may assess liquidated damages in the amount of \$750 per day if Danny Letner, Inc. fails to achieve the project's substantial completion date. The actual amount of liquidated damages assessable by the District can only be determined after a time impact analysis, which is a

¹⁵ Substantial completion is realized when the contracted scope of work can be fully utilized and occupied by the District for its intended purpose except for minor outstanding items; the District's Office of Environmental Health and Safety Essential Safety Checklist is completed; all permits, approvals, and certificates by governmental authorities required to occupy and use the work have been issued; and all systems included in the scope of work are installed and operational as specified, all required inspections and certifications have been made and posted, and instructions of District personnel in the operation of such systems has been completed.



Audit of Danny Letner, Inc. Contract No. 4400011596

thorough review of all the events that occurred over the entire contract period and the impact of those events on the project timeline.

We communicated with the OAR and the Project Inspector to determine the status of the project as of March 31, 2025, and whether substantial completion was achieved. The OAR confirmed that the removal, disposal, and replacement of the old roofing system was successfully completed. In addition, we confirmed with the Project Inspector that all aspects of the work were conducted in line with the project's specifications. To further validate that the work was completed, we conducted a site visit and observed the completed roofing work. Photos of the roof are included in Exhibit B. Table 4 below shows the milestones and corresponding dates.

Table No. 4

Milestones	Description	Due Date	Document Date	Days Late
No. 1	Notice to Proceed	July 14, 2023	June 5, 2023	-
No. 2	Critical Shop Drawings & Submittals Completion	June 29, 2023	June 29, 2023	-
No. 3	Baseline Schedule Complete	June 29, 2023	June 29, 2023	-
No. 4	Substantial Completion	Revised: November 29, 2025	N/A	-122 Days as of March 31, 2025
No. 5	Contract Completion	March 5, 2024	TBD	TBD

The OIG found that Danny Letner, Inc. had not met the milestone for substantial completion as of March 31, 2025. Danny Letner, Inc. stated that delays were caused by issues with a gutter screen product originally approved for the project. First, they discovered that the original approved product was intended for residential use, then they found that the alternative product the District selected had a 10-week delay. The District eventually approved a different screen, which the company installed, but the process caused delays.

According to the OAR, the delays were due to the following:

- Installation of one swamp cooler with a new on and off valve that was approved as part of Change Order T-503.
- Danny Letner, Inc.'s failure to install the correct screens for all gutters.
- Danny Letner, Inc. did not submit the final inspection of the water test for the gutters.

The OAR indicated that the previously mentioned delays have been addressed, resulting in 30 days of liquidated damages that would be deducted from the retention. Following this, the OIG formally requested clarification on how the 30-day figure for liquidated damages had been determined. Despite multiple follow-up attempts, a response was not received until March 7, 2025, well after the initial



Audit of Danny Letner, Inc. Contract No. 4400011596

request, when the Senior Project Manager stated that the contractor had completed the project, a new Interim OAR had been assigned, and that a Change Order would be prepared to address both the damages and a time extension.

Even after this exchange, the OIG made several additional attempts to obtain documentation supporting the assessment of 30 days of liquidated damages. However, neither the OAR nor the Senior Project Manager provided any justification or records. It was only after yet another follow-up on April 11, 2025, that the Interim OAR responded, indicating that they were awaiting Board approval for Change Order T-507, which proposed a 160-day non-compensatory extension and extended the substantial completion date to May 8, 2025.

However, the OIG was not provided with documentation explaining how the 160-day extension was calculated or why the substantial completion was moved to May 8, 2025. Upon reviewing Change Order T-507, the OIG found that it was initiated on April 2, 2025, and the stated causes of delay were a change in project management. The OAR's continued failure to respond to inquiries, provide supporting documentation, or justify critical project changes reflects a lack of transparency and project oversight. These actions, or inactions, raise serious questions about the adequacy of project management and accountability on this contract.

Recommendations No. 3

M&O should strengthen its oversight of project delays and time extensions with associated change orders by implementing clear documentation and communication protocols. This should include (i) maintaining records that justify the reasons for the delays and any schedule adjustments – including time impact analyses, and (ii) clearly documenting how delays are calculated.

Facilities Services Division (FSD) - M&O Response:

FSD M&O agreed with the recommendation. Supervisory staff will conduct weekly reviews of project milestones and documentation, providing Owner Authorized Representatives (OARs) with guidance to proactively identify and prevent potential issues. Additional training is also being provided to all OARs on change order protocols, delay claim risks, and proper project documentation.

Recommendation No. 4

In cases where liquidated damages may be applicable, the OAR should prioritize enforcing those provisions rather than approving time extensions that may relieve the contractor of accountability for avoidable delays.

Facilities Services Division (FSD) - M&O Response:

FSD M&O agreed with the recommendation. Supervisory staff will conduct weekly reviews of project schedules and related documentation, advising OARs on applying withholds and assessing liquidated damages. Additional training is also being provided to OARs on time extensions, time impact analysis, and contractor responsibilities for managing the construction schedule.



Audit of Danny Letner, Inc. Contract No. 4400011596

Observation

M&O did not ensure the change order proposal was submitted and approved prior to the approval of the related change order or that the reasons for the change order amount were properly recorded in the Record of Negotiation.

During our review of change order T-503, we noted that the supporting change order proposal was signed and dated six months after the change order had already been approved by the Board. The COP is intended to justify and support the change order amount and should be submitted prior to the approval of the change order. Submitting the proposal after the approval reverses the standard process and diminishes the credibility and integrity of the decision-making and approval trail.

In addition, the audit team noted that the documentation included in the Record of Negotiation was inadequate. The form did not provide sufficient detail regarding the negotiation or the basis for arriving at the \$661,841 approved change order amount. This could lead to reduced accountability and increase the risk that change orders are approved without sufficient cost validation and negotiation.

Audit Team

This audit was performed by the following auditors:

Maria Thomas, Audit Manager
Kien Hong, Principal Auditor
Jackie Jerez, Senior Auditor



Los Angeles Unified School District

Office of the Inspector General

Scott M. Schmerelson, President
Sherlett Hendy Newbill
Dr. Rocio Rivas
Nick Melvoin
Karla Griego
Kelly Gonez
Tanya Ortiz Franklin
Members of the Board

Alberto M. Carvalho
Superintendent

Sue Stengel
Inspector General

Independent Auditor's Report

We have examined the amounts billed by Danny Letner, Inc. under contract number 4400011596 (Contract) for the period from May 10, 2023, through December 31, 2024, and Danny Letner, Inc.'s compliance with the terms and conditions of the Contract. Danny Letner, Inc.'s management is responsible for the amounts billed and for complying with the terms and conditions of the Contract. Our responsibility is to express an opinion 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 Danny Letner, Inc.'s compliance with the contract requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of Danny Letner, Inc.'s compliance with the specified requirements.

In our opinion, the amounts billed by Danny Letner, Inc. under the Contract for the period from May 15, 2023, through December 31, 2024, were adequately supported and allowable in accordance with the Contract's terms and conditions, in all material respects, and the scope of work was completed in compliance with the terms and conditions of the Contract.

Our examination found that Danny Letner, Inc. overbilled the District by \$8,783 of bond costs on change order work. We recommend that Danny Letner, Inc issue a credit of \$8,783 to the District.

Mark H. Pearson

Digitally signed by Mark H. Pearson
DN: cn=Mark H. Pearson, o=ou,
email=mark.pearson1@lausd.net, c=US
Date: 2025.09.29 12:05:39 -07'00'

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

5/29/2025

Attachment A

Verbatim Response from Danny Letner, Inc.



August 28, 2025

L.A.U.S.D. Office of the Inspector General
ATT: Mr. Mark Pearson
333 South Beaudry Avenue, 12th floor
Los Angeles, CA 90017

RE: Contract Number 4400011596

Dear Mr. Pearson,

Please find below our response to the Audit in connection with Contract Number 4400011596.

- Letner Roofing agrees with OIG recommendation #1, Letner Roofing will issue a deductive change order for \$8,783 since Letner Roofing must calculate the final bond cost after all work and or changer orders are finalized.
- Letner Roofing will implement a new protocol to only factor half ½ Percent of bond cost to all future change orders and after all work and change orders are completed, if percentage changes we will adjust. Then Letner will request an additive change order for any understated amount of actual bond cost.
- Letner's target date to implement new Change Order protocol is to be effective immediately and on date of August 28, 2025.

Please let me know if you need any additional information and I will be glad to provide.

Sincerely,


Stuart Hein
Secretary-Treasurer

LETNER ROOFING CO.
1490 N. GLASSELL AVE.
ORANGE CA 92867
Shein@letner.com

1490 N. Glasell
Orange, CA 92867

1490 N. Glasell Ave
Orange, CA 92867

1490 N. Glasell
Orange, CA 92867

Attachment B

Verbatim Response from FSD M&O



LOS ANGELES UNIFIED SCHOOL DISTRICT Facilities Services Division

DATE: September 15, 2025

TO: Mark Pearson, Assistant Inspector General
Office of the Inspector General

FROM: Krisztina Tokes, Chief Facilities Executive
Facilities Services Division

SUBJECT: Audit of Danny Letner, Inc. and the Roofing Project at Sun Valley Magnet School
(Contract No. 4400011596)

Krisztina Tokes

Digitally signed by Krisztina Tokes
DN: cn=Krisztina Tokes, o=Los Angeles Unified School
District, ou=Chief Facilities Executive, email=krisztina.tokes@lausd.net, c=US
Date: 2025.09.15 18:48:39 -07'00'

Please find below Facilities Services Division's (FSD) response to the four recommendations provided in the Office of the Inspector General's (OIG) Draft Audit Report of Danny Letner, Inc. and the Roofing Project at Sun Valley Magnet School (Contract No. 4400011596).

Objective 1: Evaluate whether the amounts billed were adequately supported and allowable in accordance with the Contract's terms and conditions.

Finding No. 1 - The bond costs charged for the change orders were overstated by \$8,783.
Danny Letner, Inc. overcharged \$8,783 for bond costs on change orders compared to the actual costs. The company used various rates to calculate these costs, even though the actual bond rate was 0.66%. Danny Letner, Inc. indicated it was unclear how the previous project manager determined the bond rates used.

Recommendations for Finding No. 1
OIG recommends Danny Letner, Inc. should:

- Rec. No. 1:** Issue a credit change order in the amount of \$8,783 to the District for the overstated bond costs.
- Rec. No. 2:** Apply its actual bond rate when proposing bond costs for all future change order work.

Facilities Response to Recommendation No. 1:

- i. **Response:** FSD concurs with the OIG finding that Danny Letner, Inc. should reimburse the District for the overstated bond rate.

Attachment B

Verbatim Response from FSD M&O

- ii. **Action:** FSD will engage Procurement Services Division-Facilities Contracts to request reimbursement in the amount of \$8,783.
- iii. **Target:** Q4 2025.

Facilities Response to Recommendation No. 2:

- i. **Response:** FSD concurs and has already taken action.
- ii. **Action:** FSD has modified the change order proposal form to ensure contractors are submitting actual bond rates. Updated forms have been issued to staff.
- iii. **Target:** Completed.

Objective 2: Evaluate whether the FSD's change order policies and procedures were complied with in executing the Change Order.

Objective 3: Evaluate whether the scope of work and the milestones were completed as required by the Contract.

Finding No. 2 – Substantial completion was not achieved as of March 31, 2025.

Danny Letner, Inc. was unable to meet the milestone date for substantial completion. Differing perspectives between the contractor and the District regarding the causes of the delays, combined with the contractor's and M&O's lack of timely responses in providing supporting documentation and unclear justification for time extensions, raise concerns about transparency, project oversight, and overall accountability.

Recommendations for Finding No. 2

OIG recommends:

Rec. No. 3: M&O should strengthen its oversight of project delays and time extensions with associated change orders by implementing clear documentation and communication protocols. This should include (i) maintaining records that justify the reasons for the delays and any schedule adjustments – including time impact analyses, and (ii) clearly documenting how delays are calculated.

Rec. No. 4: In cases where liquidated damages may be applicable, the OAR should prioritize enforcing those provisions rather than approving time extensions that may relieve the contractor of accountability for avoidable delays.

Attachment B

Verbatim Response from FSD M&O

Facilities Response to Recommendation No. 3:

- i. Response: FSD M&O agrees with the recommendation
- ii. Action: Supervisory staff will review project milestones and related documentation on a weekly basis and provide Owner Authorized Representatives (OARs) with guidance to proactively address and prevent future issues. Additional training will also be provided to all OARs pertaining to change order protocols, potential delay claims associated with change orders and proper project documentation.
- iii. Target: Ongoing.

Facilities Response to Recommendation No. 4:

- i. Response: FSD M&O agrees with the recommendation.
- ii. Action: Supervisory staff will review project schedules and related documentation on a weekly basis and provide OARs with guidance on placing withholds and/or assessing liquidated damages. Additional training will also be provided to all OARs regarding time extensions, time impact analysis and contractor responsibilities and accountability to manage the construction schedule.
- iii. Target: Ongoing.

C: Jacqueline Jerez
Alix O'Brien
Dennis Bradburn
Matt Friedman
Jorge Ballardo
Mark Cho
Mark Bustamante
Chris Alejo
Rachel Chua

SUN VALLEY MAGNET SCHOOL
7330 BAKMAN AVE, SUN VALLEY, CA 91352

STAGING AREA

Abatement Staging area

001 BFL
ADMIN/CLASSROOM

010 DAM #2
AUDITORIUM

003 DAM
(CHLORAL
MUSIC BLDG)

004 DAM
(INSTRUMENTA
L MUSIC BLDG)

005 DON
(STORAGE UNIT)

006 CAL
(INDUSTRIAL ARTS)

008 CAL GYM

012 DAM #1

011 DAM #3

013 DAM #4

ARCADE #3

ARCADE #5

Valero St

Bakman Ave

Fair Ave

Christian Outreach For Armenians

SANA Cardinal Academy

Google Earth

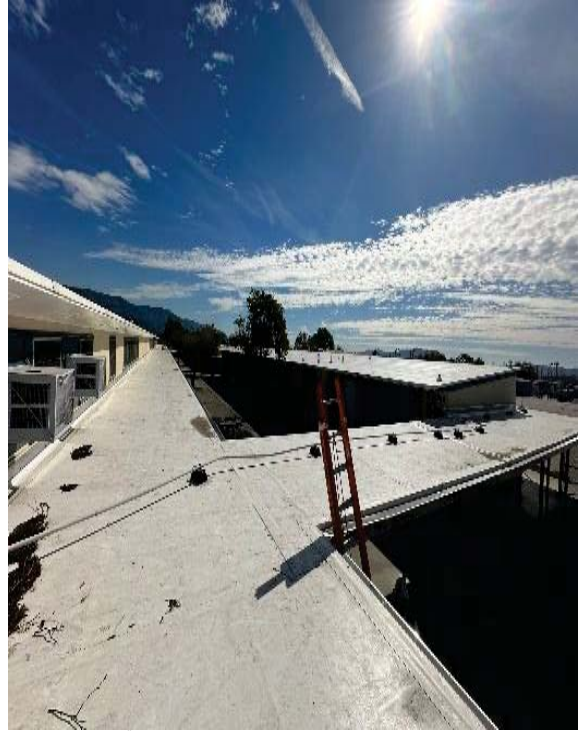
Image Landsat / Copernicus

400 ft

EXHIBIT B – Pictures of Roof Replacement



Dam #1



Dam # 2



Cafeteria – CO T-503



Cafeteria – CO T-503 – Swamp Cooler

EXHIBIT B – Pictures of Roof Replacement



Cafeteria – CO T-503 – Roof Hatch



Cafeteria – CO T-503 – Sky Lights



Arcade # 3

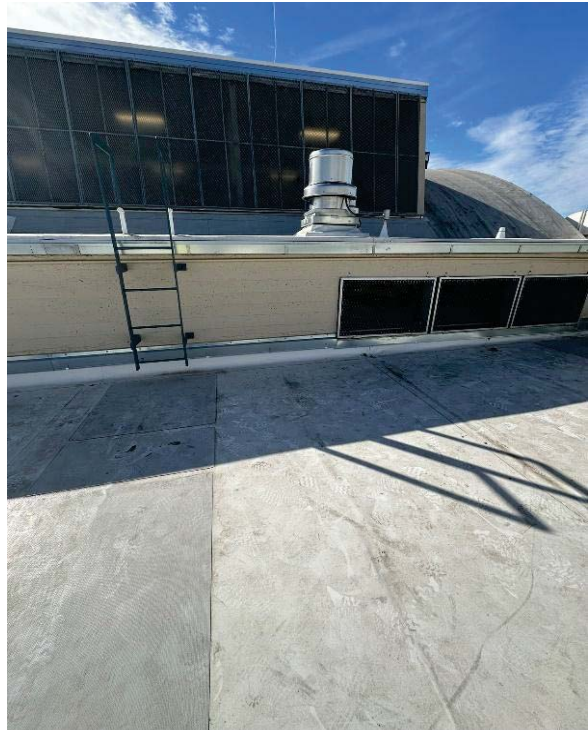


Gymnasium - HVAC

EXHIBIT B – Pictures of Roof Replacement



Gymnasium - HVAC



Gymnasium – H Metal



Gymnasium – Roof Hatch

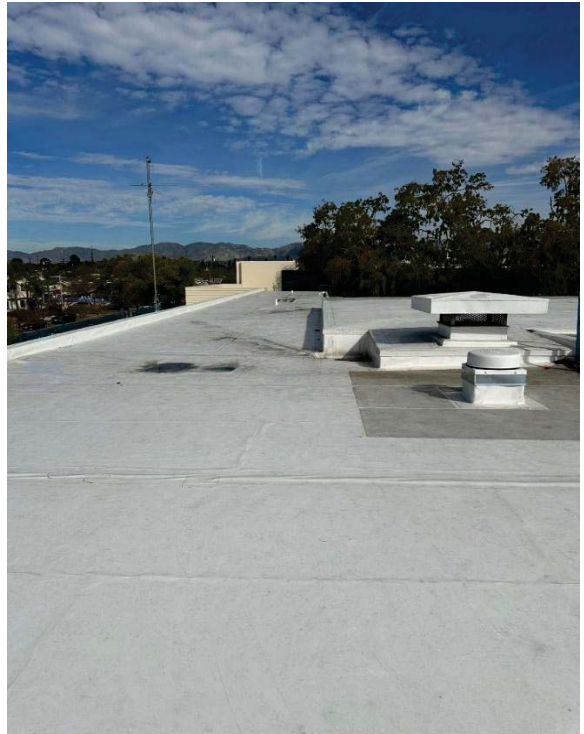


Gymnasium – Micro-Mesh Gutter Guard

EXHIBIT B – Pictures of Roof Replacement



Admin Building



Admin Building



Admin Building



Admin Building

Office of the Inspector General
"Independent and Objective Oversight"

REPORT FRAUD, WASTE, AND ABUSE



(213) 241-7778 or (866) 528-7364



inspector.general@lausd.net



<https://www.lausd.org/oig>

- ☐ Misuse of LAUSD funds and resources
- ☐ Retaliation for reporting misconduct
- ☐ Anyone can make a report
- ☐ You may remain anonymous

English



Español

