



Los Angeles Unified School District Office of the Inspector General

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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: Audit of Gold Star Foods, Inc. – Audit of Contract Number 4400007783

Dear Mr. Friedman:

Enclosed is the final report on the audit of Contract No. 4400007783 awarded to Gold Star Foods, Inc.

Please contact our office if you have any questions.

Sincerely,

Mark H. Pearson

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

Sue Stengel

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Sue Stengel, Esq., CIG
Inspector General

c. Jorge Ballardo, Cheri Thomas, Ivory King, Dana Greer, Lisette Pacheco, Elizabeth Li,
Manish Singh

Attachment

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

**Incurred Cost Audit
Gold Star Foods, Inc.
Contract No. 4400007783**

**CA 25-1469
November 3, 2025**

**Sue Stengel
Inspector General**



**LOS ANGELES UNIFIED SCHOOL DISTRICT
OFFICE OF THE INSPECTOR GENERAL**

**Examination Report on Gold Star Foods, Inc.
Contract No. 4400007783**

For the Period of
September 11, 2019 through September 10, 2024

**Statement on Standards for Attestation Engagements No. 21
Direct Examination Engagements**

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**Los Angeles Unified School District
Office of the Inspector General
Examination Report of Gold Star Foods, Inc. Contract No. 4400007783
For the Period of September 11, 2019 through September 10, 2024**

Executive Summary

The Los Angeles Unified School District ("District") through the Office of the Inspector General, engaged Davis Farr LLP ("Davis Farr") to perform a direct examination of Gold Star Foods, Inc.'s ("GSF's") Master Agreement for professional services, Contract No. 4400007783 (Contract)¹ for the period of September 11, 2019 through September 10, 2024. The examination aimed to assess GSF's compliance with the contract's billing and other requirements.

The objectives of the examination focused on determining the following.

1. The amounts billed were allowable, adequately supported, and in accordance with the terms and conditions of the contract.
2. The billed products were delivered to the District within the specified time and location(s).
3. GSF complied with all applicable early-payment discounts, volume rebates, discounts/credits, and liquidated damages provisions.
4. GSF provided the services and work-based learning opportunities in accordance with the Work-Based Learning Partnership Plan.

Our examination procedures were performed in accordance with the Statement on Standards for Attestation Engagements Direct Examination Engagement (SSAE) No. 21, AT-C section 105 and 206, and Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS) as applicable.

In our opinion, GSF's compliance with the billing and contract provisions for the period September 11, 2019 through September 10, 2024 was in accordance with its contract with the District, in all material respects. However, six findings were identified during the examination which warrant attention.

Summary of Findings

As a result of our examination procedures, we identified the following findings applicable to the District's contract No. 4400007783 with GSF. See the *Findings and Recommendations* section of this report for details.

- Finding No. 01: Missing Detailed Delivery/Packing Slips
- Finding No. 02: Noncompliance with Purchase Orders Delivery Dates
- Finding No. 03: Liquidated Damages for Late Product Deliveries
- Finding No. 04: Early Payment Discounts Were Not Applied
- Finding No. 05: Late Submission of Volume Rebate Payment
- Finding No. 06: Work-based Learning Opportunities Requirements Not Fulfilled

¹ [Executed Contract for Gold Star 4400007783 9.11.2019.pdf](#)

**Los Angeles Unified School District
Office of the Inspector General
Examination Report of Gold Star Foods, Inc. Contract No. 4400007783
For the Period of September 11, 2019 through September 10, 2024**

Background

GSF, a C corporation incorporated in Delaware on October 30, 2007, is based in Ontario, California. GSF is a wholly owned subsidiary of Gold Star Food Services, Inc., and primarily distributes frozen foods, dry goods, produce and USDS commodities to school districts across California, as well as parts of Arizona and Nevada.

On September 11, 2019, the District entered into Contract No. 4400007783 with GSF for the procurement and delivery of food products. The contract required GSF to provide high-quality, nutritious, and competitively priced items, while adhering to provisions regarding delivery, pricing adjustments, rebates, and educational partnerships. The contract term was from September 11, 2019 through September 10, 2024, and had an original maximum contract value of \$130,000,000, which was increased to \$150,000,000 on October 26, 2023 via contract Amendment No. 120. As of September 10, 2024, the billed amount under the contract totaled \$134,203,213.

To evaluate GSF's compliance with the contract, the District, through the Office of the Inspector General, engaged Davis Farr to perform a direct examination of GSF's billing and contract compliance.

Objectives

The objectives of the examination focused on determining the following.

1. The amounts billed by GSF to the District were allowable, adequately supported, and in accordance with the terms and conditions of the contract.
2. The billed products were delivered to the District within the specified time and location(s).
3. GSF complied with all applicable early-payment discounts, volume rebates, discounts/credits, and liquidated damages provisions.
4. GSF provided the services and work-based learning opportunities in accordance with the Work-Based Learning Partnership Plan.

Scope

The examination focused on GSF's billing and contractual compliance under the contract during the examination period September 11, 2019 through September 10, 2024. Our examination procedures were performed in accordance with SSAE No. 21 (AT-C section 105 and 206), GAAS, and where applicable, GAGAS. Our work included test-based inspection of evidence supporting GSF's compliance with contract terms, as well as other procedures necessary to form a reasonable basis for our opinion. These procedures included interviews and the inspection of invoices, purchase orders, shipping documents, financial discount and rebate calculations, and records related to the Work-Based Learning Partnership plan.

INDEPENDENT ACCOUNTANT'S REPORT

Mr. Mark Pearson
Assistant Inspector General
Los Angeles Unified School District
Office of the Inspector General

We have directly examined Gold Star Foods, Inc.'s ("GSF's") Master Agreement for professional services, Contract No. 4400007783 (Contract) with the Los Angeles Unified School District's ("District") for the period September 11, 2019 through September 10, 2024. GSF's management is responsible for the amounts billed and for complying with the terms and conditions of the contract. Our responsibility is to obtain reasonable assurance by measuring or evaluating GSF's compliance with the billing and contract provisions of its contract with the District and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we obtain reasonable assurance by measuring or evaluating GSF's compliance with the billing and contract provisions for the period September 11, 2019 through September 10, 2024 and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of GSF's compliance with the billing and contract provisions for the period September 11, 2019 through September 10, 2024. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that GSF's compliance with the billing and contract provisions was not in accordance with the contract in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and GSF, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to the examination engagement.

In our opinion, GSF's compliance with the billing and contract provisions for the period September 11, 2019 through September 10, 2024 was in accordance with its contract with the District, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the subject matter; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as

well as any planned corrective actions. We performed our examination to express an opinion on whether the subject matter is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the subject matter or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed six findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of responsible officials, are described in the accompanying *Findings and Recommendations* section of this report.

Restriction on Use

This report is intended solely for the information and use of the District and GSF and is not intended to be and should not be used by anyone other than these specified parties.

The signature is handwritten in blue ink and reads "Davis Farr LLP". The word "Davis" is written in a cursive style, while "Farr" and "LLP" are in a more straightforward, blocky style.

Irvine, California
October 16, 2025

**Los Angeles Unified School District
Office of the Inspector General
Examination Report of Gold Star Foods, Inc. Contract No. 4400007783
For the Period of September 11, 2019 through September 10, 2024**

Methodology

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

1. Entrance Conference and Interviews

We conducted an entrance conference with the District and GSF to discuss the examination objectives. Interviews with GSF's management were performed to gain an understanding of internal controls in place related to billing, shipping, and overall contract compliance.

2. Contract and Policy Review

We examined the contract and all applicable amendments between the District and GSF. In addition, we examined GSF's internal policies and procedures relevant to billing, delivery, discounts and rebates.

3. Invoice Testing

We reconciled invoice listings from both GSF and the District for the examination period. A judgmental sample of invoices was selected and tested for supporting documentation, including purchase orders, delivery receipts, and payment confirmations. We verified pricing accuracy and the proper application of discounts, credits, and adjustments. Billed amounts were reconciled with District payment records.

4. Delivery Compliance Testing

We tested samples of purchased products and vouched the products to delivery documentation to confirm GSF delivered the products to specified District locations. We also assessed whether the purchased products were delivered timely as indicated in the District's purchase orders. Lastly, we inspected communications and corrective actions, if any, for identified delivery issues.

5. Evaluation of Discounts, Rebates, and Financial Provisions

We assessed GSF's application of early-payment discounts and volume rebates, and verified that credits were issued to the District in a timely and accurate manner. Internal worksheets and reconciliation reports were reviewed for consistency with contract terms, including any applicable liquidated damages due to performance shortfalls.

6. Work-Based Learning Partnership (WBLP) Plan

We obtained and inspected the WBLP plan documentation and evaluated supporting records related to student work-based learning opportunities provided by GSF during the examination period. We conducted interviews with relevant stakeholders and assessed outcome reports to assess compliance and program effectiveness.

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For the Period of September 11, 2019 through September 10, 2024**

Procedures and Results

Based on our examination procedures performed on GSF's compliance with the billing and contract provisions of its contract with the District for the period September 11, 2019 through September 10, 2024, we have determined the following stated objectives results.

A. Invoice Population and Sample Selection

To evaluate whether the amounts billed by GSF to the District were allowable, reasonable, and adequately supported, we first assessed the completeness and reliability of the invoice population before selecting samples for testing.

We examined invoice data independently provided by both GSF and the District and performed a reconciliation of invoice numbers and amounts. This reconciliation identified discrepancies, including:

- (1) Invoices reported by GSF but not reflected in the District's records,
- (2) Invoices reported by the District but not found in GSF's records; and
- (3) Invoices with zero-dollar totals.

To resolve these discrepancies, we obtained clarification and supporting documentation from both parties. Revised invoice datasets were subsequently submitted and examined. Based on this inspection, we established a validated invoice population for the examination period. From the finalized population, we selected a judgmental sample of invoices to test for compliance with billing accuracy and delivery requirements. **No exceptions were noted.**

B. Invoice Testing

We selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. For each invoice, we examined supporting documentation to assess whether the amounts billed were allowable, properly supported, and in accordance with the contract terms.

Each invoice was tested against the following criteria:

- (1) Supported by a valid District purchase order.
- (2) Items billed matched those authorized by the purchase order.
- (3) Unit prices matched the approved rates.
- (4) Quantities invoiced matched the purchase order.
- (5) Invoice was mathematically accurate.
- (6) Billed items were allowable under the contract.

Discrepancies identified during testing were analyzed and resolved through follow-up with GSF and the District. All variances were satisfactorily explained and supported. **No exceptions were noted.**

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For the Period of September 11, 2019 through September 10, 2024

C. Delivery Compliance

We selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. For each product billed, we vouched the product from the invoice to the purchase order and compared the specified delivery date, location, and quantity.

Deliveries were made to the District's warehouse located in Pico Rivera, California. Delivery confirmation was evidenced by a receipt stamp placed by the District on each invoice, as GSF did not provide delivery packing slips. See **Finding No. 01: Missing Detailed Delivery/Packing Slips** for details.

Each invoice was evaluated based on the following criteria:

- (1) Products were delivered to the correct location and on the requested date.
- (2) Invoice was date-stamped by the District upon receipt.
- (3) Quantities delivered matched the purchase order.

As a result of the procedures, we determined that 22 purchased products were delivered after the requested delivery date noted in the District's purchase order. Additionally, we identified 11 purchased products that were delivered before the requested date of delivery. See **Finding No. 02: Noncompliance with Purchase Orders Delivery Dates** for details.

D. Assessment of Liquidated Damages for Late Deliveries

We examined the contract and applicable amendments to determine GSF's requirement to pay the District a liquidated damage of 1% of the specified value of a scheduled delivery for every calendar day of delay. We assessed whether GSF incurred liquidated damages for late deliveries and quantified the amount owed.

We selected 50 invoices submitted by GSF to the District for product purchases and delivery. For each invoice, we compared the scheduled delivery date in the purchase order to the actual delivery date, as evidenced by the District's receipt stamp on each invoice, since GSF did not provide detailed delivery packing slips (See **Finding No. 02: Missing Detailed Delivery/Packing Slips**).

Our testing identified 22 products, across 12 invoices, which were delivered after the requested delivery dates specified by the District. For each late delivery, we calculated the number of days delayed and applied the liquidated damages formula:

Net value of scheduled delivery × number of delayed days × 1%.

Based on this calculation, GSF owes the District \$4,677 in liquidated damages for the sampled transactions. See **Finding No. 03: Liquidated Damages for Later Product Deliveries** for details.

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For the Period of September 11, 2019 through September 10, 2024

E. Application of Early-Payment Discounts

We examined the contract and applicable amendments to determine the criteria for early-payment discounts. The contract provides for a 1% discount if payment is made within 20 calendar days of the latter of: (1) receipt of a properly documented invoice, or (2) receipt of goods.

Using the invoice population, we calculated the number of calendar days between the invoice date and the District's payment (warrant) date. For invoices paid within 20-day window, we calculated the 1% discount based on the total invoice amount and compared it to the District's recorded discounts. Discounts paid outside the 20-day window were excluded and treated as unrelated credits or memos.

Our analysis identified 98 invoices totaling \$2,193,029 that qualified for the early-payment discount. The District should have received \$21,930 in early-payment discounts; however, only \$85 was recorded by the District as discounts attributed to three invoices. As a result, the District did not claim \$21,845 in eligible early-payment discounts during the examination period. See ***Finding No. 04: Early Payment Discounts Were Not Applied*** for details.

F. Compliance with Volume Rebate Terms

We examined the contract and applicable amendments to determine GSF's volume rebate compliance requirements. Under the contract, the District was entitled to a 1% rebate on purchases made after cumulative spending exceeded 10% of the original \$130,000,000 maximum contract value, or \$13,000,000.

Based on invoice data from both GSF and the District, we determined that the threshold was reached on January 8, 2021. The contract required GSF to issue the initial rebate payment within 45 calendar days, by February 22, 2021, with subsequent monthly payments due within 45 days of the end of each purchase month.

GSF issued a true-up payment of \$119,068 via check No. 58502 on October 29, 2021 to satisfy the rebate obligation. The check was received by the District November 15, 2021, which was 266 days after the contractual due date. GSF attributed the delay to onboarding issues, vendor ID setup, and internal account linkage challenges.

We reconciled the rebate amounts due under the 1% provision with the payments made by GSF. Total volume rebates paid, amounting to \$1,165,533, aligned with the contract terms. All subsequent monthly payments were issued timely. See ***Finding No. 05: Late Submission of Volume Rebate Payment*** for details.

G. Work-Based Learning Partnership (WBLP) Plan

We examined Section 50 of the contract, which outlines GSF's obligation to implement a WBLP plan in coordination with the District's Linked Learning Office. GSF committed to providing the work-based learning opportunities described in Exhibit H of the contract, which include:

- (1) Career Awareness lectures,
- (2) Career Exploration job-shadowing sessions, and
- (3) Career Preparation and Training activities (e.g., internships or hands-on training).

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We inspected the WBLP plan and conducted inquiries with GSF representatives. The plan called for the following recurring activities:

- (1) Two Career Awareness lectures annually at LAUSD secondary campuses.
- (2) Four to six Career Exploration job-shadowing sessions annually at the GSF's Ontario facility.
- (3) Internship or hands-on training opportunities as part of Career Preparation and Training.

To assess GSF's compliance, we performed inquiries with GSF personnel and requested relevant documentation.

We requested and examined supporting documentation from GSF. GSF provided documentation for one Career Awareness lecture held at San Fernando High School on September 20, 2023, including an agenda, participation confirmation, and a thank-you letter. No additional evidence of other lectures was provided.

Through further inquiry, GSF confirmed the following:

- (1) No Career Exploration job-shadowing sessions were conducted during the contract period.
- (2) The Career Preparation and Training component (including internships or hands-on experience) was not implemented.

GSF acknowledged that a structured internship program was not developed, and no alternative workforce development programs were introduced. GSF attributed the limited execution of the WBLP plan to coordination challenges with the District, resource constraints, internal legal concerns regarding student internships, and disruptions caused by the COVID-19 pandemic. See ***Finding No. 06: Work-based Learning Opportunities Requirements Not Fulfilled*** for details.

Conclusions

We conducted a direct examination in accordance with SSAE No. 21, AT-C section 105 and 206, and GAAS, and GAGAS as applicable, to assess GSF's compliance with the billing and contractual provisions of Contract No. 4400007783 with the District for the period September 11, 2019, through September 10, 2024. Our procedures focused on the allowability and support of billed amounts, adherence to delivery timelines, correct application of financial terms, and implementation of the WBLA plan.

Based on the procedures performed, we identified six findings, which are detailed in the *Findings and Recommendations* section of this report.

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Findings and Recommendations

Finding No. 01: Missing Detailed Delivery/Packing Slips

Condition:

We selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. For all 50 invoices selected, GSF did not provide detailed delivery/packing slips as required by the contract.

Criteria:

Master Agreement, Exhibit E - Delivery Requirements and Locations, Section 1 states:

"All deliveries shall be set-on the District's dock and/or pallet(s) as required by the District and must include a detailed delivery/packing slip with the District's purchase order number noted on the slip..."

Cause:

GSF did not implement the use of dedicated packing slips but instead relied on the invoice accompanying each delivery to serve that function. Upon delivery, the District staff stamped and signed the invoice to acknowledge receipt. GSF interpreted this process as acceptable evidence of delivery and considered the invoice to also fulfill the packing slip requirement.

Effect:

GSF reliance on invoices in place of contractually required packing slips does not meet the documentation standards set forth in the contract. This practice created multiple issues:

- It hindered the District's ability to confirm that deliveries were made timely, as discrepancies were noted between invoice shipping dates and the District's date stamps.
- It prevented the performance of a complete three-way match between purchase orders, packing slips, and invoices—a fundamental internal control used to verify that goods received align with both the order and the billing.
- It compromised the segregation of duties. Under the best practices, warehouse staff should verify deliveries using packing slips, while accounting personnel process invoices independently. When invoices are used in place of packing slips, this separation is blurred, increasing the risk of undetected errors or potential fraud.

Additionally, see **Finding No. 02: Noncompliance with Purchase Orders Delivery Dates** for details regarding the use of the District's stamp to determine the delivery date as packing slips were not available.

Recommendation:

We recommend the District notify GSF of this noncompliance with the delivery documentation requirements and request corrective action to ensure future deliveries include packing slips. Additionally, we recommend GSF retain a copy of each packing slip to independently support the delivery of products when requested.

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PSD's Response:

The District's Procurement Services Division (PSD) concurs with the finding. GSF relied on invoices, stamped and signed by District staff upon delivery, in place of detailed packing slips. While this practice served as delivery verification, it did not fully comply with contract requirements. The delivery location is specified on both the purchase orders (POs) and Bill of Lading (BOL). For PO-based orders delivered to Pico Rivera, the Warehouse Receiving Department verifies, inspects, and processes shipments for Goods Receipt (GR) against the corresponding PO.

FSD's Response:

Food Services Division (FSD) agrees with the finding. District staff signed and stamped GSF invoices upon delivery in place of a detailed packing slip.

GSF's Response:

GSF clarifies that as a company, we do not issue separate delivery slips. Instead, each delivery is accompanied by an invoice, which has consistently served as both the invoice and proof of delivery. District staff review, stamp, and sign these invoices at the time of delivery to confirm receipt. This process has been in place throughout our more than 10-year partnership with LAUSD and has historically been accepted as adequate documentation.

Further, GSF proposes discussing amendments to future contracts with LAUSD to explicitly recognize invoices as acceptable proof of delivery, thereby preventing similar issues going forward.

Finding No. 02: Noncompliance with Purchase Order Delivery Dates

Condition:

We selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. Out of the 50 invoices tested, we identified 29 instances where deliveries did not align with the requested delivery dates specified in the District's purchase orders. Specifically, 18 products were delivered after the requested date, and 11 were delivered before the requested date.

Delivery timing was evaluated by comparing the requested delivery date on each purchase order with the date stamped by the District upon receipt, as shown on the invoice. GSF did not provide detailed delivery or packing slips to independently substantiate delivery dates. See **Finding No. 01: Missing Detailed Delivery/Packing Slips** for details.

Criteria:

Master Agreement, Exhibit E - Delivery Requirements and Locations, Section 1 states, in part:

"All deliveries shall be set on the District's dock and/or pallet(s) as required by the District and must include a detailed delivery/packing slip with the District's purchase order number noted on the slip. The delivery date shall be as specified on the Purchase Order".

Cause:

GSF attributed the delivery discrepancies to changes requested by the District.

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Effect:

Failure to adhere to specified delivery dates can negatively impact the District's operations. Late deliveries may lead to inventory shortages, particularly for perishable or time-sensitive goods, potentially disrupting meal services or program schedules. Early deliveries may result in storage constraints, inefficiencies, or increased holding costs.

In addition, late deliveries are subject to contractual liquidated damages. See ***Finding No. 03: Liquidated Damages for Late Product Deliveries*** for details.

Recommendation:

We recommend that the District actively monitor GSF's performance against the delivery dates specified in purchase orders. The District should enforce compliance by applying liquidated damages or other contractual remedies when warranted. Additionally, GSF should implement procedures to improve scheduling accuracy and proactively notify the District of any anticipated delivery delays or changes. This will help mitigate operational disruptions and support more effective inventory planning.

PSD's Response:

PSD concurs with the finding. Some delays and early deliveries were due to supplier logistics and availability.

FSD's Response:

FSD agrees with the finding. Some delays and early deliveries were due to supplier logistics and availability.

GSF's Response:

GSF has already submitted a formal response to the District regarding this issue. As a longstanding partnership, GSF and LAUSD work collaboratively to manage deliveries, including adjusting delivery dates as requested by the District. Instances of early or late deliveries often reflect changes requested by District staff, and GSF has consistently accommodated these adjustments whenever operationally feasible.

Further, GSF will continue to coordinate closely with the District to ensure delivery dates meet operational needs and will proactively communicate any potential adjustments in advance.

Finding No. 03: Liquidated Damages for Late Product Deliveries

Condition:

As noted in *Finding No. 02: Noncompliance with Purchase Orders Delivery Dates*, our testing of 50 invoices submitted by GSF revealed 18 instances in which purchased products were delivered after the delivery dates specified in the District's purchase orders.

The contract includes a liquidated damages provision requiring GSF to pay 1% of the scheduled delivery value for each calendar day that delivery is delayed, unless the delay is attributable to the District. Based on our testing, the late deliveries identified during the examination period resulted in liquidated damages totaling \$4,677 owed to the District.

Criteria:

Master Agreement, Section 22.1 Liquidated Damages states, in part:

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"If the Contractor fails to deliver the supplies or perform the Services within the time specified in this Agreement, or any extension thereof, due to no fault of the District, the Contractor shall, in place of actual damages, pay to the District as fixed, agreed, and liquidated damages for each calendar day of delay the amount equivalent to 1% of specified value of the scheduled delivery."

Cause:

GSF attributed the delays to delivery schedule changes requested by the District.

Effect:

Due to late deliveries, the District is contractually entitled to \$4,677 in liquidated damages. These funds represent compensation for the delay in performance, in lieu of calculating actual damages.

Recommendation:

We recommend the District pursue recovery of the \$4,677 in liquidated damages from GSF for the identified late deliveries. Additionally, the District should ensure that late delivery monitoring is incorporated into ongoing contract oversight and enforce penalties as outlined in the agreement to encourage timely performance.

PSD's Response:

PSD concurs with the finding and is not aware of any assessed or collected liquidated damages under the contract.

FSD's Response:

FSD agrees with the finding. Check No. 115087 issued by GSF dated September 18, 2025, was received by PSD as payment for liquidated damages due to late deliveries. This payment was accepted in lieu of waiving the penalty.

GSF's Response:

GSF has already submitted a formal response to the District regarding this issue. GSF respectfully notes that many of the instances cited as late deliveries were due to changes requested by the District, as outlined in our response to Finding 2. As a collaborative partner, GSF adjusts delivery schedules to accommodate the District's operational needs. Therefore, GSF believes it should not be held responsible for liquidated damages related to these deliveries.

Further, GSF will continue to coordinate closely with the District on delivery schedules and proactively communicate any potential delays. We also recommend that the District consider these collaborative adjustments when evaluating liquidated damage.

Finding No. 04: Early Payment Discounts Were Not Applied

Condition:

The District did not apply early payment discounts as provided in the contract with GSF. The contract entitled the District to a 1% discount on invoices paid within 20 calendar days of the later of (a) product delivery or (ii) receipt of a properly documented invoice.

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During the examination period, we identified 98 instances where the District met the early payment terms but did not apply the discount. As a result, the District did not realize \$21,845 in potential savings.

Criteria:

Master Agreement, Section 13.8 Contractor Invoices and Payment states, in part:

"The amount of any Contractor invoice for which the District would otherwise be responsible will be discounted by:

One percent (1%) if Contractor receives electronic payment in Contractor's designated bank account no later than twenty (20) days after the later of (i) the date on which the District receives delivery of the Product and (ii) the date on which the District receives Contractor's properly documented invoice for the Product."

Cause:

The District did not configure the contract terms in its procurement system to track or apply early payment discounts. Consequently, payment processing was not evaluated against discount eligibility, and no manual or automated mechanism existed to capture these savings.

Effect:

As a result of not applying the early payment discount provisions, the District forfeited \$21,846 in potential cost savings over the course of the contract period examined.

Recommendation:

We recommend the District enhance its procurement system and related procedures to ensure that contract terms, particularly those offering financial benefits, such as early payment discounts, are properly configured and monitored. Payment processing workflows should include automated checks to identify eligible invoices, and staff should be trained to verify compliance with discount timelines. Implementing these controls will help the District maximize cost savings and improve contract compliance.

The District has previously identified issues with the application of early payment discounts on multiple contracts as evidenced in prior audit reports.²

PSD's Response:

PSD concurs with the finding. The previous manager did not verify the accuracy of the payment information when the contract was set up by the analyst, which prevented early payment discounts from being applied as required under the contract with GSF.

FSD's Response:

FSD agrees with the finding. Verification of the accuracy of the payment information was not completed when the contract was originally established. This prevented early payment discounts from being applied as required under the contract with GSF.

² Prior reports from the OIG identifying early payment discount issues:

[OA-156726.0 CA 24-1434 Incurred Cost Audit of Turtle ALA, LLC, Contract No. 4400008234](#)

[OA-131711.0 CA 22-1359 Audit Report of Virco, Inc., No. 4400006578](#)

Performance audit from the OIG:

[OA-056901.0 Early Payment Discounts](#)

**Los Angeles Unified School District
Office of the Inspector General
Examination Report of Gold Star Foods, Inc. Contract No. 4400007783
For the Period of September 11, 2019 through September 10, 2024**

Finding No. 05: Late Submission of Volume Rebate Payment

Condition:

Under the contract terms, GSF was required to begin issuing volume rebate payments to the District within 45 calendar days after cumulative District purchases exceeded 10% of the contract's maximum value of \$130,000,000. The District reached this \$13,000,000 threshold on January 8, 2021, making the first rebate payment due no later than February 22, 2021.

However, the District did not receive the first volume rebate payment until November 15, 2021, which was 266 days after the required deadline. While subsequent monthly rebate payments were submitted timely, the initial delay constituted noncompliance with the contract's rebate provision.

Criteria:

Master Agreement, Section 43 Volume Rebate states, in part:

"Contractor shall rebate to the District one percent (1%) of the value of all purchases made by the District in excess of ten percent (10%) of the initial Maximum Contract Value (\$130,000,000). Contractor shall rebate to the District one percent (1%) of the value of all purchases made by the District in excess of ten percent (10%) of the initial Maximum Contract Value (\$130,000,000). Contractor shall pay such rebated amount to the District...within 45 days following the day on which 10% of the Maximum Contract Value is first exceeded and within 45 days after the expiration of each subsequent month..."

Cause:

GSF attributed the delayed payment to vendor setup complications and multiple vendor ID linkages encountered during the transition to the new District contract. These administrative and operational issues prevented timely remittance of the initial rebate payment.

Effect:

The District did not receive the first volume rebate payment within the contractually required timeframe. Although the payment was ultimately made in full, without interest or penalties, the delay reflected a failure to comply with the volume rebate terms.

Recommendation:

We recommend that the District implement automated or manual controls to monitor cumulative purchase totals against the contract's rebate thresholds. The system should generate alerts when the 10% threshold is reached and track the timeliness of rebate submissions. These measures will help ensure compliance with contract terms and facilitate timely collection of rebate payments.

The OIG completed a Volume Rebate Program Audit³ on June 23, 2025 which illustrated noted Volume Rebate deficiencies. The District's Procurement Services Division is implementing improved processes, which should mitigate late payments.

³ The OIG previously issued a report pertaining to the volume rebate program and issues: [Report No. 25-1455 Volume Rebate Program Audit.pdf](#)

**Los Angeles Unified School District
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PSD's Response:

PSD concurs with the finding. The initial delay in volume rebate reporting was due to a previous manager not recording rebates in the system, which prevented timely reconciliation of payments under the contract. In addition, GSF's prior practice of submitting monthly rebate payments instead of quarterly payments, along with inconsistencies across contracts regarding rebate computation and payment provisions, made tracking and reconciliation more difficult.

FSD's Response:

FSD agrees with the finding. The initial delay in volume rebate reporting was due to rebates in the system not being recorded, preventing timely reconciliation of payments under the contract. Additionally, GSF's prior practice of submitting monthly rebate payments instead of quarterly payments—along with inconsistencies across contracts regarding rebate computation and payment provisions—made tracking and reconciliation challenging.

GSF's Response:

GSF acknowledges the initial delay was caused by vendor setup and system transition issues. The payment was ultimately made in full, and no amounts remain outstanding.

Further, Once the setup/system transition issues were resolved, all future volume rebate payments were on time.

Finding No. 06: Work-Based Learning Opportunities Requirements Not Fulfilled

Condition:

GSF did not provide work-based learning opportunities in accordance with the Work-Based Learning Partnership (WBLP) plan. GSF was required to implement a WBLP plan in collaboration with the District's Linked Learning Office. The plan required GSF to provide recurring 1) Career Awareness lectures, 2) Career Exploration job-shadowing sessions, and 3) Career Preparation and Training opportunities (e.g., internships or hands-on experiences).

Based on the inspected documentation and responses to inquiries, we determined that:

- 1) Only one Career Awareness lecture was conducted during the contract period.
- 2) No Career Exploration job-shadowing sessions occurred.
- 3) No Career Preparation or hands-on training activities were implemented.

Criteria:

Master Agreement, Section 50 Work-Based Learning Partnership Commitment, states in part:

"Except as otherwise specified herein, Contractor hereby warrants to provide the Services, generally, and the work-based learning opportunity(ies) outlined in the work-based learning participation plan included in Contractor's Proposal, specifically, in the manner represented in Contractor's Proposal. The work-based learning participation plan that was included in Contractor's Proposal, a copy of which is attached as Exhibit H to this Agreement"

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Cause:

GSF attributed the limited execution of the WBLP plan to logistical challenges coordinating with the District, internal staffing and resource limitations, legal concerns related to student engagement, and residual impacts from the COVID-19 pandemic.

Effect:

As a result, District students did not receive the intended benefits of the WBLP plan under its contract with GSF. Further, GSF's inability to provide work-based learning opportunities in accordance with the WBLP plan limits the District's ability to assess program impact or fulfillment of educational goals tied to the contract.

Recommendation:

We recommend the District formally assess GSF's noncompliance with the WBLP plan and determine whether contractual remedies are appropriate. For current and future agreements, the District should establish clear participation benchmarks, interim reporting requirements, and evaluate vendor capacity during selection to ensure commitments are achievable and enforceable.

The OIG has identified similar WBLP issues in multiple audits conducted by the OIG. The observed deficiencies may highlight a potential systemic issue⁴

PSD's Response:

PSD concurs with the finding. Responsibility for the implementation and coordination of the WBLP lies with the Career & Technical Education (CTE) – Linked Learning Department. PSD's role is limited to including the proposed WBLP in new contracts and transmitting it to CTE once the contract has been fully executed. The implementation of the WBLP with the vendor is under CTE's purview.

FSD's Response:

FSD agrees with the finding. Responsibility for the implementation and coordination of the WBLP lies with the CTE – Linked Learning Department. PSD's role is limited to including the proposed WBLP in new contracts and transmitting it to CTE once the contract has been fully executed. The implementation of the WBLP with the vendor is under CTE's purview.

GSF's Response:

In the past, GSF's limited execution of the WBLP plan was due to logistical challenges coordinating with the District, internal staffing and resource constraints, legal considerations around student participation, and ongoing impacts from the COVID-19 pandemic.

Further, we are delighted to report our active participation in the Pathway Connect - Career Technical Education (CTE) - Food Services Event held on September 20, 2023, at San Fernando High School. During this event, we engaged with students, educators, and district leaders to present diverse career pathways in food services and related fields. Our team delivered impactful presentations, provided hands-on demonstrations, and interacted directly

⁴ Prior reports from the OIG identifying WBLP issues:

[OA-142709.0 CA 23- 1393 Audit Report of Arcadis U.S., Inc., Contract No. 4400007484](#)

[OA-153111.0 CA 23-1422 Incurred Cost Audit of Infosys Limited](#)

[OA-142511.0 CA 23-1404 Prodigal Investment Group, LLC dba Premier Inspection Services, Contract No. 4400006362](#)

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with students to explore their interests and aspirations in these growing industries. While the COVID-19 pandemic temporarily limited our ability to participate in additional Pathway events, we are excited to renew our commitment to these initiatives as we resume in-person interactions.

Gold Star is committed to working with LAUSD leadership to identify and execute work-based learning opportunities as described in the contract:

- ❖ Career Awareness lectures
- ❖ (2) Career Exploration job-shadowing sessions
- ❖ (3) Career Preparation and Training activities (e.g., internships or hands-on training)
- ❖ (2) Career Awareness lectures annually at LAUSD secondary campuses
- ❖ (4) to (6) Career Exploration job-shadowing sessions annually at the GSF's Ontario facility
- ❖ Internship or hands-on training opportunities as part of Career Preparation and Training

Gold Star remains steadfast in our commitment to empowering LAUSD students through meaningful educational experiences. We are thrilled to continue growing alongside the district in this endeavor and are confident that our collaborative efforts will inspire the next generation of professionals.

ATTACHMENT I

Responses From Procurement Services Division (PSD)

INTEROFFICE CORRESPONDENCE
Los Angeles Unified School District
Procurement Services Division

TO: Manish Singh
Director, Food Services Division

DATE: October 10, 2025

FROM: Odette Delgado Jorge
Purchasing Services Manager, Foods Procurement Unit

**SUBJECT: PROCUREMENT SERVICES DIVISION RESPONSE TO OIG AUDIT FINDINGS –
CONTRACT NO. 4400007783
GOLD STAR FOODS, INC.
STRATEGICALLY SOURCED MISCELLANEOUS GROCERIES AND
FROZEN FOODS**

The Procurement Services Division (PSD) appreciates the opportunity to respond to the audit conducted by the Office of the Inspector General (OIG) regarding Contract No. 4400007783. We acknowledge the findings and provide below our responses, including our view on the findings, corrective actions, and implementation timelines.

Finding No. 01: Missing Detailed Delivery/Packing Slips

i. View:

Procurement concurs with the finding. GSF relied on invoices, stamped and signed by District staff upon delivery, in place of detailed packing slips. While this practice served as delivery verification, it did not fully comply with contract requirements. The delivery location is specified on both the purchase orders (POs) and Bill of Lading (BOL). For PO-based orders delivered to Pico Rivera, the Warehouse Receiving Department verifies, inspects, and processes shipments for Goods Receipt (GR) against the corresponding PO.

ii. Actions Planned:

Procurement will remind GSF of the delivery requirements specified in the contract and require corrective action to ensure all future deliveries include detailed packing slips. GSF will retain copies of each packing slip to support three-way matching procedures. Vendor performance will be tracked using the scorecard system, including metrics such as timely delivery, completeness of packing slips, and accuracy of shipments.

iii. Target Date:

Packing slips and BOL availability will be reinforced with GSF by September 2025. Tracking of delivery compliance will begin in **September 2025**, and the vendor scorecard for performance evaluation will be established by **October 2025**.

Finding No. 02: Noncompliance with Purchase Order Delivery Dates

i. View:

Procurement concurs with the finding. Some delays and early deliveries were due to supplier logistics and availability.

ATTACHMENT I

Responses From Procurement Services Division (PSD)

PROCUREMENT SERVICES DIVISION RESPONSE TO OIG AUDIT FINDINGS – CONTRACT NO. 4400007783 - GOLD STAR FOODS, INC. (STRATEGICALLY SOURCED MISCELLANEOUS GROCERIES AND FROZEN FOODS)

October 02, 2025

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ii. Actions Planned:

Procurement will remind vendors of delivery compliance requirements and require vendors to notify Procurement in advance of any anticipated delivery delays or changes. PROCUREMENT will track delivery compliance for future performance evaluations, and a vendor scorecard will be established and used for ongoing vendor performance evaluation. Key performance indicators, including availability rate—tracking early, on-time, and late deliveries—will be monitored regularly to support accountability and operational efficiency.

iii. Target Date:

Tracking of delivery compliance will be implemented by **September 2025**, and the vendor scorecard for performance evaluation will be established by **October 2025**.

Finding No. 03: Liquidated Damages for Late Product Deliveries

i. View:

Procurement concurs with the finding. PROCUREMENT is not aware of any liquidated damages that have been assessed or collected under this contract.

ii. Actions Planned:

However, upon further review, we confirm that a check (Check No. 115087), dated September 18, 2025, in the amount of \$4,677 was received from Gold Star as payment for liquidated damages due to late deliveries. This payment was accepted in lieu of waiving the penalty.

Procurement acknowledges the importance of enforcing contractual provisions and will continue to treat liquidated damages as a contractual remedy where appropriate. While Procurement prefers to work collaboratively with vendors to improve performance, repeated or unaddressed late deliveries may result in enforcement of penalties, including liquidated damages.

To support this, Procurement will:

- Reinforce to vendors that timely delivery is a critical contractual requirement.
- Maintain detailed records of late deliveries to support potential enforcement actions.
- Utilize a vendor scorecard to track performance trends and take corrective action as needed.

iii. Target Date:

Tracking of late deliveries will be implemented by **September 2025**, and the vendor scorecard for performance evaluation will be established by **October 2025**.

Finding No. 04: Early Payment Discounts Were Not Applied

i. View:

Procurement concurs with the finding. The previous manager did not verify the accuracy of the payment information when the contract was set up by the analyst, which prevented early payment discounts from being applied as required under the contract with GSF.

ii. Actions Planned:

ATTACHMENT I

Responses From Procurement Services Division (PSD)

PROCUREMENT SERVICES DIVISION RESPONSE TO OIG AUDIT FINDINGS – CONTRACT NO. 4400007783 - GOLD STAR FOODS, INC. (STRATEGICALLY SOURCED MISCELLANEOUS GROCERIES AND FROZEN FOODS)

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When this issue was raised during the audit, Procurement immediately reviewed all payment terms and early payment discounts on all current food contracts and corrected them accordingly. This ensures that payments, as well as early payment discounts, can be applied by the District on all invoices processed by Accounts Payable. Procurement will continue to ensure that analysts accurately enter this information when setting up new contracts in the system to maintain accuracy.

iii. Target Date:

This corrective action has already been implemented, and ongoing monitoring will ensure accuracy for all future contracts and invoices.

Finding No. 05: Late Submission of Volume Rebate Payment

i. View:

Procurement concurs with the finding. The initial delay in volume rebate reporting was due to a previous manager not recording rebates in the system, which prevented timely reconciliation of payments under the contract. In addition, Gold Star's prior practice of submitting monthly rebate payments instead of quarterly payments, along with inconsistencies across contracts regarding rebate computation and payment provisions, made tracking and reconciliation more difficult.

ii. Actions Planned:

Procurement has centralized the monitoring and documentation of all rebate payments and will conduct quarterly reconciliations. To date, Procurement has received \$1,228,342.17 from Gold Star for the Volume Rebate. Total invoices paid under the contract amounted to \$143,271,717.78. The total Volume Rebate due, representing 1% of cumulative purchases exceeding the \$13,000,000 threshold, was \$1,302,717.18.

PSD is reconciling the total amount of rebate due and is working with Gold Star to verify a discrepancy in the final balance. Gold Star, in collaboration with the District's auditor, has stated that the remaining balance is approximately \$600, citing credits applied to various invoices. Procurement will review this claim and work with GSF to resolve any differences and close out the Volume Rebate account for this contract.

To expedite future payments, Procurement has assigned a designated staff member to manage all volume rebate collections across contracts with rebate provisions. The mode of payment has been transitioned from check to ACH to ensure timely processing. This staff member is also responsible for maintaining updated records of rebate collections for active contracts and securing any outstanding payments for contracts that expired within the past four years.

iii. Target Date:

Ongoing monitoring and quarterly reconciliations are in place. Quarterly notices to vendors on rebate due are still active. The goal is to have all current and expired contracts fully updated and reconciled.

Additionally, tracking of late payment on Volume Rebate will be implemented and the vendor scorecard for performance evaluation will be established by October 2025.

ATTACHMENT I

Responses From Procurement Services Division (PSD)

PROCUREMENT SERVICES DIVISION RESPONSE TO OIG AUDIT FINDINGS – CONTRACT NO. 4400007783 - GOLD STAR FOODS, INC. (STRATEGICALLY SOURCED MISCELLANEOUS GROCERIES AND FROZEN FOODS)

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Finding No. 06: Work-Based Learning Opportunities Requirements Not Fulfilled

i. View:

Procurement concurs with the finding. Responsibility for the implementation and coordination of the Work-Based Learning Partnership (WBLP) lies with the Career & Technical Education (CTE) – Linked Learning Department. PSD's role is limited to including the proposed WBLP in new contracts and transmitting it to CTE once the contract has been fully executed. The implementation of the WBLP with the vendor is under CTE's purview.

ii. Actions Planned:

Procurement will continue to ensure that all proposed WBLPs submitted by vendors are included in executed contracts and transmitted to CTE for oversight and coordination with the awarded vendor. PROCUREMENT will collaborate with CTE to confirm receipt of all proposed WBLPs and will provide support, as needed, to ensure that CTE has the necessary documentation to monitor vendor compliance.

iii. Target Date:

This process is already in place for all new contracts. Procurement will maintain this practice going forward and continue coordination with CTE on all new contract in place with WBLP provision.

The Procurement Services Division remains committed to accountability and continuous improvement in contract administration. We appreciate the OIG's oversight and guidance. As part of our ongoing efforts, a vendor scorecard will be established for all food vendor contracts to ensure compliance and evaluate vendor performance. Please feel free to contact me at 562-654-9349 or email me at maria.q.delgado@lausd.net should you require additional clarification or documentation.

ATTACHMENT II

Responses From Food Services Division (FSD)



Los Angeles Unified School District

Food Services Division

Nourishing Children to Achieve Excellence

ALBERTO M. CARVALHO
Superintendent of Schools

MANISH SINGH, CBO, MBA
Director

PEDRO SALCIDO
Deputy Superintendent, Business Services & Operations

ANDRES E. CHAIT
Chief of School Operations, Division of School Operations

October 14, 2025

Ms. Joanna Vuong, Principal Auditor
LAUSD – Office of the Inspector General (OIG)
VIA EMAIL: joanna.vuong@lausd.net

Dear Ms. Vuong,

The letter is Food Services Division's (FSD) formal response to the July 28, 2025, *OIG Incurred Cost Audit of Gold Star Foods, Inc., Contract No. 4400007783*. Food Services worked closely with Procurement Services Division who communicated with Gold Star Foods and our response is as below:

OIG FINDING #1: Missing Detailed Delivery / Packing Slips

OIG selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. For all 50 invoices selected, GSF did not provide detailed delivery/packing slips as required by the contract.

OIG RECOMMENDATION:

OIG recommends the District notify GSF of this noncompliance with the delivery documentation requirements and request corrective action to ensure future deliveries include packing slips. Additionally, we recommend GSF retain a copy of each packing slip to independently support the delivery of products when requested.

FOOD SERVICES DIVISION RESPONSE:

- (i) FSD agrees with Finding #1. District staff signed and stamped GSF invoices upon delivery in place of a detailed packing slip.
- (ii) Procurement will inform GSF of the required corrective action of the delivery requirements specified in the contract to ensure all futures deliveries include detailed packing slips. GSF will retain copies of each packing slip to support three-way matching procedures. Vendor

ATTACHMENT II

Responses From Food Services Division (FSD)

Food Services Division Response:

OIG Incurred Cost Audit of Gold Star Foods, Inc., Contract No. 4400007783

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performance will be tracked by using the scorecard system, including metrics such as timely delivery, completeness of packing slips, and accuracy of shipments.

By October 2025, packing slips and Bill of Lading (BOL) availability will be in effect. Tracking delivery compliance will begin October 2025. The vendor scorecard for performance evaluation will be established by November 2025.

OIG FINDING #2: Noncompliance with Purchase Orders Delivery Dates

OIG selected a sample of 50 invoices submitted by GSF to the District for the purchase and delivery of products. Out of the 50 invoices tested, OIG identified 29 instances where deliveries did not align with the requested delivery dates specified in the District's purchase orders. Specifically, 18 products were delivered after the requested date, and 11 were delivered before the requested date.

OIG RECOMMENDATION:

OIG recommends that the District actively monitor GSF's performance against the delivery dates specified in purchase orders. The District should enforce compliance by applying liquidated damages or other contractual remedies when warranted. Additionally, GSF should implement procedures to improve scheduling accuracy and proactively notify the District of any anticipated delivery delays or changes. This will help mitigate operational disruptions and support more effective inventory planning.

FOOD SERVICES RESPONSE:

- (i) FSD agrees with Finding #2. Some delays and early deliveries were due to supplier logistics and availability.
- (ii) Procurement Services Division will remind GSF of delivery compliance requirements. FSD will require vendors to notify the Procurement Services Division (PSD) in advance of any anticipated delivery delays or changes. PSD will track delivery compliance for future performance evaluations. A vendor scorecard will be established and used for ongoing vendor performance evaluation. Key Performance Indicators (KPIs), including availability rate (tracking early, on-time, and late deliveries), will be monitored regularly to support accountability and operational efficiency.
- (iii) Tracking delivery compliance will begin October 2025. The vendor scorecard for performance evaluation will be established by November 2025.

OIG FINDING #3: Liquidated Damages for Late Product Deliveries

As noted in Finding No.2, OIG's testing of 50 invoices submitted by GSF revealed 18 instances in which purchased products were delivered after the delivery dates specified in the District's purchase orders. The contract includes a liquidated damages provision requiring GSF to pay 1% of the scheduled

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Responses From Food Services Division (FSD)

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delivery value for each calendar day that delivery is delayed, unless the delay is attributable to the District. Based on our testing, the late deliveries identified during the examination period resulted in liquidated damages totaling \$4,677 owed to the District.

OIG RECOMMENDATION:

OIG recommends the District pursue recovery of the \$4,677 in liquidated damages from GSF for the identified late deliveries. Additionally, the District should ensure that late delivery monitoring is incorporated into ongoing contract oversight and enforce penalties as outlined in the agreement to encourage timely performance.

FOOD SERVICES RESPONSE:

- (i) FSD agrees with Finding #3.
- (ii) Check No. 115087 issued by GSF dated September 18, 2025, was received by PSD as payment for liquidated damages due to late deliveries. This payment was accepted in lieu of waiving the penalty.
FSD acknowledges the importance of enforcing contractual provisions and will continue to treat liquidated damages as a contractual remedy where appropriate. Repeated or unaddressed late deliveries may result in enforcement of penalties, including liquidated damages.
To support this process, PSD in conjunction with FSD will
 - reinforce to vendors that timely delivery is a critical contractual requirement.
 - maintain detailed records of late deliveries to support potential enforcement actions.
 - utilize a vendor scorecard to track performance trends and take correction action as needed.
- (iii) Tracking of late deliveries will be implemented by October 2025. The vendor scorecard for performance evaluation will be established by November 2025.

OIG FINDING #4: Early Payment Discounts Were Not Applied

The District did not apply early payment discounts as provided in the contract with GSF. The contract entitled the District to a 1% discount on invoices paid within 20 calendar days of the later of (a) product delivery or (ii) receipt of a properly documented invoice.

During the examination period, OIG identified 98 instances where the District met the early payment terms but did not apply the discount. As a result, the District did not realize \$21,845 in potential savings.

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Responses From Food Services Division (FSD)

Food Services Division Response:

OIG Incurred Cost Audit of Gold Star Foods, Inc., Contract No. 4400007783

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OIG RECOMMENDATION:

OIG recommends the District enhance its procurement system and related procedures to ensure that contract terms, particularly those offering financial benefits, such as early payment discounts, are properly configured and monitored. Payment processing workflows should include automated checks to identify eligible invoices, and staff should be trained to verify compliance with discount timelines.

Implementing these controls will help the district maximize cost savings and improve contract compliance. The District has previously identified issues with the application of early payment discounts on multiple contracts as evidenced in prior audit reports.

FOOD SERVICES RESPONSE:

- (i) Food Services Division agrees with Finding #4. Verification of the accuracy of the payment information was not completed when the contract was originally established. This prevented early payment discounts from being applied as required under the contract with GSF.
- (ii) PSD has since reviewed payment terms and early payment discounts on all current food contracts and has corrected them accordingly. PSD will continue to ensure that staff enters this information when setting up new contracts in the system to ensure accuracy.
- (iii) Corrective action for Finding #4 has been implemented. Ongoing monitoring will ensure accuracy for all future contracts and invoices.

OIG FINDING #5: Late Submission of Volume Rebate Payment

Under the contract terms, GSF was required to begin issuing volume rebate payments to the District within 45 calendar days after cumulative District purchases exceeded 10% of the contract's maximum value of \$130,000,000. The District reached this \$13,000,000 threshold on January 8, 2021, making the first rebate payment due no later than February 22, 2021.

However, the District did not receive the first volume rebate payment until November 15, 2021, which was 266 days after the required deadline. While subsequent monthly rebate payments were submitted timely, the initial delay constituted noncompliance with the contract's rebate provision.

OIG RECOMMENDATION:

OIG recommends that the District implement automated or manual controls to monitor cumulative purchase totals against the contract's rebate thresholds. The system should generate alerts when the 10% threshold is reached and track the timeliness of rebate submissions. These measures will help ensure compliance with contract terms and facilitate timely receipt of rebate payments.

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Responses From Food Services Division (FSD)

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The District completed a Volume Rebate Program Audit on June 23, 2025, which illustrated noted Volume Rebate deficiencies. The District's Procurement Services Division is implementing improved processes, which should mitigate late payments.

FOOD SERVICES RESPONSE:

- (i) Food Services Division agrees with Finding #5. The initial delay in volume rebate reporting was due to rebates in the system not being recorded, preventing timely reconciliation of payments under the contract. Additionally, GSF's prior practice of submitting monthly rebate payments instead of quarterly payments—along with inconsistencies across contracts regarding rebate computation and payment provisions—made tracking and reconciliation challenging.
- (ii) PSD has centralized the monitoring and documentation of all rebate payments and will conduct quarterly reconciliations. To date, FSD has received \$1,228,342.17 from Gold Star for the Volume Rebate. Total invoices paid under the contract amounted to \$143,271,717.78. The total Volume Rebate due, representing 1% of cumulative purchases exceeding the \$13,000,000 threshold, was \$1,302,717.18.
PSD is reconciling the total amount of rebate due and is working with Gold Star to verify a discrepancy in the final balance. Gold Star, in collaboration with the District's auditor, has stated that the remaining balance is approximately \$600, citing credits applied to various invoices. Procurement will review this claim and work with GSF to resolve any differences and close out the Volume Rebate account for this contract.
To expedite future payments, Procurement has assigned a designated staff member to manage all volume rebate collections across contracts with rebate provisions. The mode of payment has been transitioned from check to ACH to ensure timely processing. This staff member is also responsible for maintaining updated records of rebate collections for active contracts and securing any outstanding payments for contracts that expired within the past four years.
- (iii) Ongoing monitoring and quarterly reconciliations are in place. Quarterly notices to vendors on rebate due are still active. The goal is to have all current and expired contracts fully updated and reconciled. Additionally, tracking of late payment on Volume Rebate will be implemented and the vendor scorecard for performance evaluation will be established by November 2025.

OIG FINDING #6: Work-Based Learning Opportunities Requirements Not Fulfilled

GSF did not provide work-based learning opportunities in accordance with the Work-Based Learning Partnership (WBLP) plan. GSF was required to implement a WBLP in collaboration with the District's Linked Learning Office. The plan required GSF to provide recurring 1) Career Awareness lectures, 2)

Career Exploration job-shadowing sessions, and 3) Career Preparation and Training opportunities (e.g., internships or hands-on experiences).

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Responses From Food Services Division (FSD)

Food Services Division Response:

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OIG RECOMMENDATION:

OIG recommends the District formally assess GSF's noncompliance with the WBLP and determine whether contractual remedies are appropriate. For current and future agreements, the District should establish clear participation benchmarks, interim reporting requirements, and evaluate vendor capacity during selection to ensure commitments are achievable and enforceable. The district has identified similar WBLP issues in multiple audits conducted by the OIG. The observed deficiencies may highlight a potential systemic issue.

FOOD SERVICES RESPONSE:

- (i) Food Services Division agrees with Finding #6. Responsibility for the implementation and coordination of the Work-Based Learning Partnership (WBLP) lies with the Career & technical Education (CTE) – Linked Learning Department. PSD's role is limited to including the proposed WBLP in new contracts and transmitting it to CTE once the contract has been fully executed. The implementation of the WBLP with the vendor is under CTE's purview.
- (ii) PSD will continue to ensure that all proposed WBLPs submitted by vendors are included in executed contracts and transmitted to CTE for oversight and coordination with the awarded vendor. PSD will collaborate with CTE to confirm receipt of all proposed WBLPs and will provide support, as needed, to ensure that CTE has the necessary documentation to monitor vendor compliance.
- (iii) This process is already in place for all new contracts. Procurement will maintain this practice going forward and continue coordination with CTE on all new contract in place with WBLP provision.

If you have any questions, please contact me at 213-241-2993 or manish.singh@lausd.net.

Thank you.



Manish Singh
Director, Food Services Division

c: Florence Simpson, Deputy Director, Food Services Division
Odette Delgado Jorge, Purchasing Services Manager, PSD

ATTACHMENT III

Responses From Gold Star Foods, Inc. (GSF)



August 28, 2025

Diego Vanegas
Los Angeles Unified School District
333 South Beaudry Avenue, 12th Floor
Los Angeles, California 90017

Subject: Response to Audit Findings

Dear Mr. Vanegas,

We appreciate the opportunity to respond to the findings outlined in your Audit of Contract Number 4400007783. Below, we have provided our position on five of the findings, along with the corrective actions we plan to implement with target dates for completion.

1. Missing Detailed Delivery/Packing Slips

Our View: GSF clarifies that as a company, we do not issue separate delivery slips. Instead, each delivery is accompanied by an invoice, which has consistently served as both the invoice and proof of delivery. District staff review, stamp, and sign these invoices at the time of delivery to confirm receipt. This process has been in place throughout our more than 10-year partnership with LAUSD and has historically been accepted as adequate documentation.

Action Plan: Gold Star proposes discussing amendments to future contracts with LAUSD to explicitly recognize invoices as acceptable proof of delivery, thereby preventing similar issues going forward.

Target Date: SY 25/26

2. Non-Compliance with Purchase Order Delivery Dates

Our View: GSF has already submitted a formal response to the District regarding this issue. As a long-standing partnership, GSF and LAUSD work collaboratively to manage deliveries, including adjusting delivery dates as requested by the District. Instances of early or late deliveries often reflect changes requested by District staff, and GSF has consistently accommodated these adjustments whenever operationally feasible.

Action Plan: GSF will continue to coordinate closely with the District to ensure delivery dates meet operational needs and will proactively communicate any potential adjustments in advance.

Target Date: Current / Ongoing

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ATTACHMENT III

Responses From Gold Star Foods, Inc. (GSF)



3. Liquidated Damages for Late Product Delivery

Our View: GSF has already submitted a formal response to the District regarding this issue. GSF respectfully notes that many of the instances cited as late deliveries were due to changes requested by the District, as outlined in our response to Finding 2. As a collaborative partner, GSF adjusts delivery schedules to accommodate the District's operational needs. Therefore, GSF believes it should not be held responsible for liquidated damages related to these deliveries.

Action Plan: GSF will continue to coordinate closely with the District on delivery schedules and proactively communicate any potential delays. We also recommend that the District consider these collaborative adjustments when evaluating liquidated damages.

Target Date: Ongoing / Current

5. Late Submission of Volume Rebate Payment

Our View: GSF acknowledges the initial delay was caused by vendor setup and system transition issues. The payment was ultimately made in full, and no amounts remain outstanding.

Action Plan: Once the setup/system transition issues were resolved, all future volume rebate payments were on time.

Target Date: Ongoing / Current

6. Work-Based Learning Opportunities Program Requirement Not Met

Our View: In the past, GSF's limited execution of the WBLP plan was due to logistical challenges coordinating with the District, internal staffing and resource constraints, legal considerations around student participation, and ongoing impacts from the COVID-19 pandemic.

Action Plan: We are delighted to report our active participation in the Pathway Connect - Career Technical Education (CTE) - Food Services Event held on September 20, 2023, at San Fernando High School. During this event, we engaged with students, educators, and district leaders to present diverse career pathways in food services and related fields. Our team delivered impactful presentations, provided hands-on demonstrations, and interacted directly with students to explore their interests and aspirations in these growing industries. While the COVID-19 pandemic temporarily limited our ability to participate in additional Pathway events, we are excited to renew our commitment to these initiatives as we resume in-person interactions.

Gold Star is committed to working with LAUSD leadership to identify and execute work-based learning opportunities as described in the contract:

- Career Awareness lectures
- (2) Career Exploration job-shadowing sessions

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- (3) Career Preparation and Training activities (e.g., internships or hands-on training)
- (2) Career Awareness lectures annually at LAUSD secondary campuses
- (4) to (6) Career Exploration job-shadowing sessions annually at the GSF's Ontario facility
- Internship or hands-on training opportunities as part of Career Preparation and Training

Gold Star remains steadfast in our commitment to empowering LAUSD students through meaningful educational experiences. We are thrilled to continue growing alongside the district in this endeavor and are confident that our collaborative efforts will inspire the next generation of professionals.

Target Date: Ongoing / Current

We value our partnership with LAUSD and remain committed to making the necessary improvements to ensure full compliance with all contractual obligations. Please let us know if further clarification or supporting documentation is required.

Sincerely,

Gold Star Foods, Inc.

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