

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

## **Annual Report to the Board of Education**



**Fiscal Year 2025**

**Sue Stengel  
Inspector General**



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

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July 30, 2025

To the Honorable Members of the Board of Education:

I am pleased to submit the Office of the Inspector General's (OIG) Annual Report. This report is required by the OIG's Charter and summarizes our activities and accomplishments for the period from July 1, 2024 through June 30, 2025 (FY 2025).

The OIG conducts audits, investigations, and special reviews of the Los Angeles Unified School District's (LAUSD or District) programs and operations to support effective decision-making and to detect and deter fraud, waste, and abuse. Our goal is to enhance the public's confidence in the District by providing independent oversight and assisting District management with making continuous improvements in programs and operations and by fostering integrity. This report highlights the work we performed during FY 2025.

Through this work, we provided oversight of approximately \$1.5 billion and we identified approximately \$1.1 million in potential monetary benefits.

The OIG is proud to support the District's goals and vision by identifying opportunities for achieving greater economy, efficiency, and effectiveness. On behalf of all OIG staff, I would like to thank the Board of Education for your continued support.

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Sue Stengel  
Inspector General

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## FISCAL YEAR 2025 HIGHLIGHTS

### RENEWAL OF THE OIG'S AUTHORIZING STATUTE

The Office of the Inspector General (OIG) derives much of its power, including the power to issue subpoenas, from California Education Code Sections 35400, et.seq. Until this year, the statute contained a sunset provision which was part of the legislation since it originated in 1999. The previous version of the statute was set to sunset on January 1, 2025.

In FY 2025 the OIG, with the support of the Los Angeles Unified School District (LAUSD or District) Board of Education, sought to renew the statute with three important changes. First, remove the sunset provision and permanently authorize the OIG. Second, require the OIG to adhere to the Principles and Standards for Offices of Inspector General, created and published by the Association of Inspectors General, ensuring the office operates in accordance with professional standards. Third, enhance the independence of the OIG by giving the Inspector General a three-year term.<sup>1</sup>

The OIG would like to express thanks and gratitude to the District's Office of Government Relations and to Senator Lena A. Gonzalez (Long Beach) who introduced Senate Bill (SB) 991, on January 31, 2024, and steadfastly stood with us to ensure its passage. SB 991 was signed by the Governor on September 28, 2024, providing a win for the students, families, employees and other District stakeholders, ensuring continuity of independent oversight of the LAUSD.

#### *Statutory Authority*



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<sup>1</sup> The three-year term is subject to the terms of the employment contract.

## INTERNAL REORGANIZATION

In FY 2025, the OIG underwent an internal reorganization to facilitate a more nimble and flexible operation, strengthen internal collaboration, enhance identification of fraud, waste, and abuse, and to meet the District's requirements to reduce our budget. The reorganization was accomplished without staff lay-offs.

Previously, the OIG consisted of two units - Audits and Investigations, which were each led by a Deputy Inspector General with specialized experience in their field.

Now the office has three units - Audits, Investigations, and Special Services. Each is led<sup>2</sup> by an Assistant Inspector General (instead of a Deputy Inspector General) with broader and more varied experience in these fields.

Among other responsibilities, the Special Services Unit houses the OIG's data analytics function, new to the OIG this year, and a hybrid team. Data analytics focuses on the District's financial transactions and proactively identifies anomalies which may indicate fraud, waste, or abuse. The hybrid team brings together auditors and investigators who collaborate on projects, drawing on their respective expertise to address allegations of misconduct or an identified area of concern related to fraud, waste, or abuse.<sup>3</sup>

### ***Reductions in staffing***

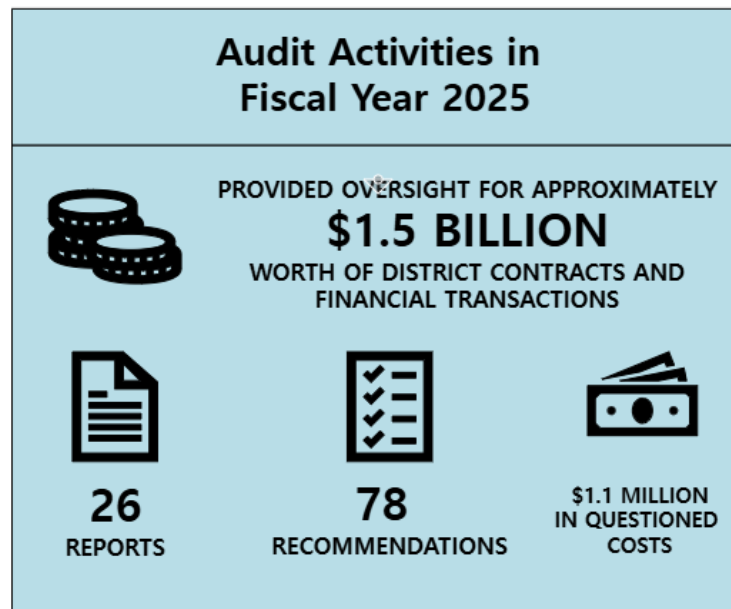
As part of the reorganization, two audit manager positions and two senior investigator positions were eliminated. Furthermore, because a disproportionate amount of our work in the Audit Unit is bond-funded, we have chosen not to backfill positions of bond-funded employees who retired, this included closing an administrative position. Lastly, as a result of the District's sustainable budgeting efforts, five vacant senior auditor positions were closed due to their extended vacancy.

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<sup>2</sup> The position of Assistant Inspector General for Investigations is currently vacant. The OIG is currently in the process of hiring for that position.

<sup>3</sup> More about the Special Services Unit can be found on Page 22.

## AUDIT HIGHLIGHTS



During fiscal year (FY) 2025, the OIG conducted audits of various programs, processes and systems, and contracts to provide District management with information to help improve operations, facilitate decision-making, and promote public accountability. We issued 26 reports that resulted in 78 recommendations and identified approximately \$1.1 million in questioned costs. These audit activities covered \$1.5 billion worth of District contracts and financial transactions.

### ***Funding Constraints***

Because the source of almost half of the OIG's budget is bond funds, we are limited in the non-bond eligible work we can do. Therefore, notwithstanding the results of our risk assessment, the OIG's audit activities focused significantly on contracts, as well as programs, processes, and systems, funded by school bond measures.

Furthermore, in FY 2025, District management requested the OIG to conduct some audits that we were unable to do due to lack of general funds. Additionally, there were a number of audits on our FY2025 audit work plan, which was based on assessing risks within the District, that we could not do because of lack of general funds. Some audits we actually had to abandon in the midst of our work for lack of funding.

Management Requests for Audits the OIG could not Conduct because of Lack of Funds:

- Bell Schedule Certification
- Proposition 28 Arts Funding

- Procurement of Common Goods at School Sites
- Student Body Accounts

OIG Work Plan Audits Based on Risk Not Completed because of Lack of Funds:

- Attendance Management
- Trend Analysis of Child Abuse Incidents
- Special Education Compliance Oversight
- Follow-Up Audit of Tool Purchases for Maintenance & Operations

## **SIGNIFICANT AUDITS ISSUED IN FY 2025**

The following section summarizes some of the more significant audit work performed and outcomes achieved during the year, including the status of any agreed-upon recommendations as of June 30, 2025.<sup>4</sup> Appendix 3 includes additional summaries of audits not highlighted in this section and also provides the status of recommendations agreed upon in previous years.

The OIG aimed to provide a concise overview of each audit. The OIG acknowledges the meaningful responses and explanations received from District management and District vendors related to these audits. However, the summaries of the audits, particularly the more complex audits, may omit details or nuances in the interest of brevity. Therefore, we encourage a review of the full audit reports, which are linked to each audit summary below. In FY 2025, we performed audits related to volume rebates and bond rates in change orders for construction projects. The OIG identified opportunities for systemic changes in the District. In conjunction with the Procurement Services Division (PSD), we were able to use these findings to help facilitate system improvements which will result in additional revenue to the District in perpetuity.

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<sup>4</sup> The information in this report reflects the most current updates our office has received from both contractors and the District. There may have been additional recommendations implemented since last reported to the OIG.





### ***Performance Audit of Volume Rebate Program***

**OA 25-1455** The OIG issued an audit of the District's Volume Rebate Program. The audit assessed the District's effectiveness in tracking and collecting volume rebates from vendors to ensure that the District maximizes its financial benefits and maintains fiscal responsibility. While the District has established the Volume Rebate Program to enhance revenue collection, significant deficiencies hinder its effectiveness. Key issues included the absence of a robust, centralized rebate tracking system; outdated policies; inconsistent tracking practices across procurement groups; gaps in monitoring and

enforcement; and incomplete tagging of rebate-eligible purchases and contracts in the District's systems. Despite these challenges, the audit team identified a population of approximately 362 contracts with rebate provisions (there may be additional contracts that were unidentifiable for the reasons stated above). We selected a sample of 31 (8.5%) rebate contracts for testing from that population.

#### **Findings:**

14 (45%) contracts had unpaid or underpaid rebate amounts with an estimated under-collection of **\$615,772**, exclusive of interest and penalties. This under-collection represented approximately 30% of those contracts' expected rebate value. It is worth mentioning that these 31 contracts represented 8.5% of the population, suggesting that the actual amount of uncollected rebate payments is substantially higher. However, due to limited resources and the size of our sample, we could not extrapolate, with confidence, the full final impact to the entire contract population to estimate the total loss of revenue. Additional resources and testing would be necessary to provide that information.

- In addition, the audit found that not all vendor payments subject to rebate provisions were properly identified or tagged in the System, Applications, and Products in the Data Processing (SAP) system, the District's official system of record, preventing them from being included in rebate tracking and recovery efforts. A separate sample of 108 untagged payments revealed \$7 million in purchases that were associated with rebate contracts but not tracked, further increasing the risk of missed collections.
- Deficiencies in Rebate Tracking, Collection, and Enforcement Controls
- The District lacks standardized procedures for managing rebate agreements, leading to inconsistencies in contract terms, calculation methods, and payment timelines.



- There is no formal enforcement process for collecting rebates. Buyers often log payments when received, but do not consistently follow up with vendors or apply penalties such as interest charges
- The Volume Rebate (VR) Tracking System is not mandatory, and its limited functionality—including lack of integration with SAP, absence of automated rebate calculations, and no tracking of outstanding balances, prevents accurate tracking, monitoring, verification, and collection of rebate payments.
- Rebate calculations are complex and vary significantly from contract to contract, requiring manual verification, which increases the risk of under-collection and miscalculations.
- SAP is not consistently used for rebate tracking, making audits and reconciliations difficult.

#### Recommendations:

- PSD should strengthen its systems, policies, and operational practices to improve rebate tracking, monitoring, collection, and oversight. Including:
  - Developing a more robust rebate tracking system that automates data uploads from SAP, stores contract terms, supports reminder emails and dashboards, and integrates with Ariba.
  - Improving system integration and tagging, including completing the implementation of a rebate contract flag in Ariba and aligning it with SAP for consistent tracking.
  - Automating reconciliation processes to help identify rebate-eligible purchases and flag unmatched transactions for follow-up.
  - Standardizing policies and contract language across procurement teams, including default rebate payment schedules and vendor documentation requirements.
  - Improving operational controls by requiring better purchase order tagging, verifying rebate payments against contract terms, and performing regular reconciliations across systems.
  - Strengthening collection and enforcement procedures, including assigning staff to monitor payments, issuing timely reminders, and applying escalation protocols when vendors fail to pay on time.
  - Recovering missed rebates identified in this audit, totaling approximately \$680,000. That amount includes \$615,772 in underpayments identified through the limited contract testing, as well as the additional uncollected rebate payments related to the \$7 million in vendor payments that were made against rebate contracts in our sample but were not identified as such in SAP—and therefore were excluded from PSD’s tracking and collection efforts.

District's Response:

The District agreed with the six recommendations.

Implementation Status of Recommendations:

In Progress



***Performance Audit of Bond Rate Accuracy in Change Orders***

**OA 25-1453** The OIG issued an audit of the Bond Rate Accuracy in Change Orders. This audit evaluated the accuracy of bond rates applied in change orders for construction projects managed by the Facilities Services Division (FSD) Project Execution Group (PEX). The objective was to determine the effectiveness of the updated Cost Estimating Operational Standards (Policy 14.22) in reducing excessive bond costs

charged by contractors for change order work. Prior OIG audits identified discrepancies between bond rates used in change orders and actual bond premiums, resulting in the District being overcharged for bond costs. By reviewing change orders issued from February 1, 2024, through June 30, 2024, the audit aimed to determine whether the revised procedures, implemented following previous audit findings, are being followed and whether improvements have been made in estimating accuracy.

Findings:

- Updated Policy Effectiveness
  - Our analysis found a notable improvement in bond rate accuracy after the updated policy was implemented.
  - During the audit period, FSD executed 1,962 change orders valued at approximately \$37 million. A review of a sample of 201 change orders valued at approximately \$12.9 million issued after the updated policy implementation found that 80% of the 201 change orders had correct bond rates applied, while 20% contained errors. In contrast, before the policy update, 58% of the change orders had correct bond rates applied, resulting in a 42% exception rate. This reduction of the exception rate from 42% to 20% indicates significant progress in ensuring bond rate accuracy under the updated policy.
- Regional and Unit-Level Accuracy

- Bond rate accuracy varied across the District’s three regions and the Facilities Access Compliance Unit:
  - The Facilities Access Compliance Unit demonstrated the highest accuracy at 95%.
  - The Central Region achieved 79%, North Region and South Region both achieved 75%.
  - Accuracy rates improved over time, particularly after the second training session held in April 2024, with the overall accuracy rate exceeding 80% in May and June.
- Trend Analysis and Training Impact
  - Bond rate accuracy improved throughout the audit period. The overall accuracy rate increased from 74% in February 2024 to 82% in June 2024, demonstrating the positive impact of the updated policy and training efforts. Notably, accuracy exceeded 80% in May and June, with the Central Region and Facilities Access Compliance Unit reaching 100% accuracy rate by June 2024 following training sessions in March and April 2024.
  - Our review initially found that 53% of Owner Authorized Representatives (OARs) responsible for the reviewed change orders did not attend the March and April 2024 training sessions, which may have contributed to continued errors in bond rate application noted through June 2024. In response to the audit’s observations, FSD conducted additional training in early 2025 and now provides materials to newly hired OARs. We verified that all OARs responsible for our test sample have now completed the required training.
- Conclusion
  - The audit results indicate that the updated Policy 14.22 has been effective in improving the accuracy of bond costs included in change orders. The accuracy rate increased from a baseline of 58% before the policy update to 80% after its implementation, demonstrating a significant improvement. Additionally, accuracy continued to rise throughout the audit period, reaching 82% in June 2024. These findings suggest that the policy update, along with training efforts, has had a positive impact on reducing excessive bond costs and improving estimating accuracy.
  - Ensuring complete accuracy across all regions remains a priority, especially given the high volume of change orders—totaling approximately \$37 million from just the first six months of 2024. Even small discrepancies can result in substantial overpayments over time. Addressing gaps in training participation and enhancing the existing random spot checks performed by PEX staff with a more structured approach will help address remaining gaps. These measures will help ensure bond rates are consistently applied with accuracy, enhancing cost control and financial oversight of construction projects.

### Recommendations:

1. Sustain and Institutionalize Training Compliance:
  - a. Maintain comprehensive training coverage: Ensure that all new OARs and relevant staff receive the updated bond rate training as part of the onboarding process.
  - b. Provide periodic refreshers: Conduct periodic refresher sessions to reinforce proper application of bond rates and address any recurring errors or policy updates.
  - c. Monitor ongoing compliance: Track bond rate training completion and follow-up with staff who require clarification or additional guidance.
2. Sustain and Enhance Systematic Spot Checks:
  - a. Strengthen verification procedures: Strengthen the existing PEX random spot checks by applying a more structured and documented process to ensure consistency and thoroughness in bond rate verification.
  - b. Leverage data-driven oversight: Use trend data from past reviews to identify trends and focus on areas with higher discrepancies to improve oversight.
  - c. Pilot and assess effectiveness: Monitor the effectiveness of the training process and assess whether it improves the accuracy and completeness of bond rate application across projects.
3. Strengthen Change Order Document Controls:
  - a. Update the Change Order Checklist: Add a dedicated "Bond" checkbox to the Change Order Checklist, requiring OARs to confirm that bond information is included in the change order package.
  - b. Prompt early bond rate verification: Use the updated Change Order Checklist to ensure OARs obtain bond documentation early, enabling them to apply the correct bond rate when preparing Fair Cost Estimates (FCE) for change orders.

### District's Response:

The District agreed with the three recommendations.

### Implementation Status of Recommendations:

In Progress



### ***Performance Audit of P-Card Use and Compliance***

The District's credit program provides a quick and efficient method for employees to make needed purchases. From July 1, 2022, through March 31, 2024, there were more than 227,000 credit card transactions from almost 6,000 vendors totaling more than \$78 million. While a convenient purchasing tool for schools and offices, the credit card program can present the potential for fraud, abuse, and improper use if not carefully monitored and controlled. In FY 2025, we completed an audit of this high-risk area.

**OA 24-1457** The OIG issued an audit of the District's P-Card Use and Compliance. The objectives of the audit were to (1) determine whether the P-Card purchases complied with the Procurement Services Division (PSD) Procurement Manuals, and (2) assess the adequacy of internal controls over the District's P-Card program. Our audit covered P-Card transactions from July 1, 2022, through March 31, 2024. The OIG determined that overall, P-Card activities complied with the PSD Procurement Manual except in certain activities related to adding appropriate supporting documentation, reviewing and approving transactions, and completing appropriate forms. Additionally, the OIG found that the internal controls over the District's P-Card program were adequate, but several opportunities for improvement were identified, including in the areas of training and transaction reconciliations.

#### **Findings:**

- One out of 14 schools selected for testing exhibited mismanagement of P-Card purchases. The OIG identified several issues at the one school the P-Card Unit indicated may have had some questionable P-card charges. The issues included invoices that were not itemized for Amazon purchases, missing or inaccurate invoices, and the unauthorized purchase of gift cards. In addition, one cardholder used their personal account to make Amazon purchases, restricting the P-Card Unit's ability to oversee the purchases. Furthermore, some items, such as decorations and gift sets, were shipped directly to a cardholders' home address, raising concerns about personal use.
- Schools did not complete an Exception Request Form for restricted item purchases. We identified 20 transactions out of 683 (2.93%) where the schools purchased restricted items. 17 of the 20 transactions (85%) lacked the approved Exception Request Form. The restricted items included gifts for teachers, Apple iPads, Apple iMacs, and Nintendo gaming systems.
- Cardholders did not complete the Pre-Approval Forms for purchases over \$500. In our review of 683 transactions, 51 (7.47%) exceeded the \$500 limit thereby requiring a Pre-

Approval form, however 39 of these 51 transactions (76.5%) did not have the necessary form.

- Transactions were split into multiple smaller purchases to avoid the limit for approval. We analyzed P-card purchase data and identified 31 potential split transactions that did not have an Exception Request Form. An approved exception form is required to make a purchase that exceeds the dollar threshold. Three transactions had an Exception Request Form, but the forms had been submitted after the items were purchased.
- Cardholders and approving officials did not complete the refresher training course. We found that 671 of 1,174 cardholders (57.15%) and 522 of 955 approving officials (54.66%) did not complete the required refresher training.
- School personnel did not perform P-Card reconciliations on time. The Procurement Manual requires that the cardholders and approving officials reconcile P-Card purchases in SAP by the 15th of each month. However, our analysis found delays in reconciliation at the schools.

The OIG previously audited the P-Card program in 2017 (OA-17-1114) and in 2018 (OA 18-1137). Based on the results of this and two prior P-Card audits, the following were identified as recurring issues:

- unsupported vendor invoices,
- inconsistent use of Pre-Approval Forms for P-Card purchases exceeding \$500,
- potential split transactions, and
- purchases of restricted items.

Furthermore, inadequate training for P-Card users has been identified as a contributing factor to these issues in all three audits.

#### Recommendations:

To address these ongoing concerns, we made 16 recommendations to enhance compliance with organizational policies and minimize the recurrence of these issues.

#### District's Response:

The District agreed with 12 recommendations (Nos. 1, 2, 5, 6, 7, 10, 11, 12, 13, 14, 15, and 16), partially agreed with two recommendations (Nos. 3 and 4), and disagreed with two recommendations (Nos. 8 and 9).

#### Implementation Status of Recommendations:

Implemented - Nos. 5, 7, and 15

In progress - Nos. 1, 2, 3, 4, 6, 10, 11, 12, 13, 14, and 16





## ***Follow-Up Audit of Physical Security of Schools***

The safety of students and staff is the highest priority for the District. To support the District's efforts in providing safe school environments for all, in FY 2025, we completed a follow-up of a prior audit related to the physical security of schools.

**OA 25-1456** The OIG conducted a follow-up of a 2022 audit of the District's physical security of schools, revisiting the 24 schools originally assessed in the 2022 audit. The purpose of this audit was to determine 1) the status of the OIG's previous recommendations related to school security, and 2) whether any new issues had arisen since our previous audit affecting school security.

### **Findings:**

Since the last audit, improvements have been made in various areas of school security.

- **Perimeter Security:**
  - All 24 schools are maintaining closed perimeter gates.
  - The fencing at all 24 schools is intact. Damage to perimeter fencing, previously identified at five schools, was repaired.
- **Push Bar Doors:**
  - Out of the 24 schools, three schools (12%) had chain-locked push bar doors, and 21 schools (88%) did not have this issue. This marks an improvement from the previous audit which identified seven schools as having push bar door issues.
  - Two of the three schools with the issue were also identified as having the same issue from the previous audit. One school was newly identified as having this issue.
- **Alarm Systems:**
  - One school (4%) had a non-functional alarm system, while the alarms at the other 23 schools were operational.
  - The malfunctioning alarm systems identified at the three schools from the previous audit have since been repaired or replaced.
- **Phone Systems:**
  - Classroom phone systems are functional at all 24 schools, with the previously identified non-functional phone systems at six schools either repaired or replaced.
  - Currently, 21 out of 24 schools (87%) have phone systems that allow direct 911 dialing. However, three schools still lack this capability.
- **Public Address Systems:**



- The public address (PA) system at one school (4%) was non-functional during the current audit. This was a new issue identified at the school. It is scheduled for a replacement by March 2025.
- The two schools identified in the previous audit as having non-functional PA systems now have functional systems.
- Surveillance Cameras:
  - 10 of the 24 schools (42%) did not have surveillance cameras.
  - Installation projects are currently underway at three of the 10 schools without cameras, and contract planning is in progress for three additional schools.
  - Three schools (13%) had non-operational cameras.
  - 11 schools had surveillance cameras. Surveillance camera coverage has improved. 15 schools did not have surveillance cameras during the previous audit.
  - As found in the previous audit, none of the schools had staff actively monitoring the surveillance footage during school hours.
- Visitor Management:
  - The current audit found that eight of the 24 schools (33%) did not have secure entry systems, while 16 schools (67%) had them installed.
  - In the previous audit, 17 schools (71%) lacked secure entry systems. Visitor management has improved with the installation of secure entry systems at nine additional schools since the last audit.
- Homeless Encampments:
  - Eight of the 24 schools (33%) reported homeless encampments nearby.
  - The number of schools reporting homeless encampments nearby has decreased from 12 to 8.
  - Six schools that previously reported encampments no longer have them, while two schools that did not have encampments at the time of the last audit now report their presence.
- Campus Security Concerns:
  - Campus security concerns have notably improved, as all 24 schools reported no security concerns related to increased incidents. In the last audit, 18 schools expressed concerns in this area.

#### Recommendations:

We recommended that the Division of School Operations (DSO) should:

1. Ensure all schools comply with fire safety regulations by removing unauthorized locks on push bar doors and strengthening oversight. Recommended actions include enhancing accountability, implementing safer security measures, and increasing training on fire safety and emergency egress.

2. Collaborate with Information Technology Services (ITS) to prioritize and expedite the repair or replacement of malfunctioning alarm systems, ensuring that all affected schools receive necessary upgrades in a timely manner.
3. Collaborate with ITS and ensure the completion of the phone system upgrades at the remaining schools to ensure all classrooms can directly dial 911.
4. Ensure the repair or replacement of malfunctioning alarm PA systems.
5. Assess security needs at schools lacking surveillance cameras and prioritize funding allocations where security concerns are highest. Evaluate cost-effective solutions, such as centralized monitoring or longer footage retention periods, to enhance security without requiring individual schools to assign staff to real-time monitoring.
6. Assess funding opportunities for the installation of secure entry systems at the remaining schools without them and explore interim security measures for schools still awaiting installation to mitigate the risks associated with unauthorized campus access.
7. Continue monitoring and addressing the impact of homeless encampments near school campuses through collaboration with city and county officials.

District's Response:

The District agreed with the seven recommendations.

Implementation Status of Recommendations:

Implemented - Nos. 2 and 3

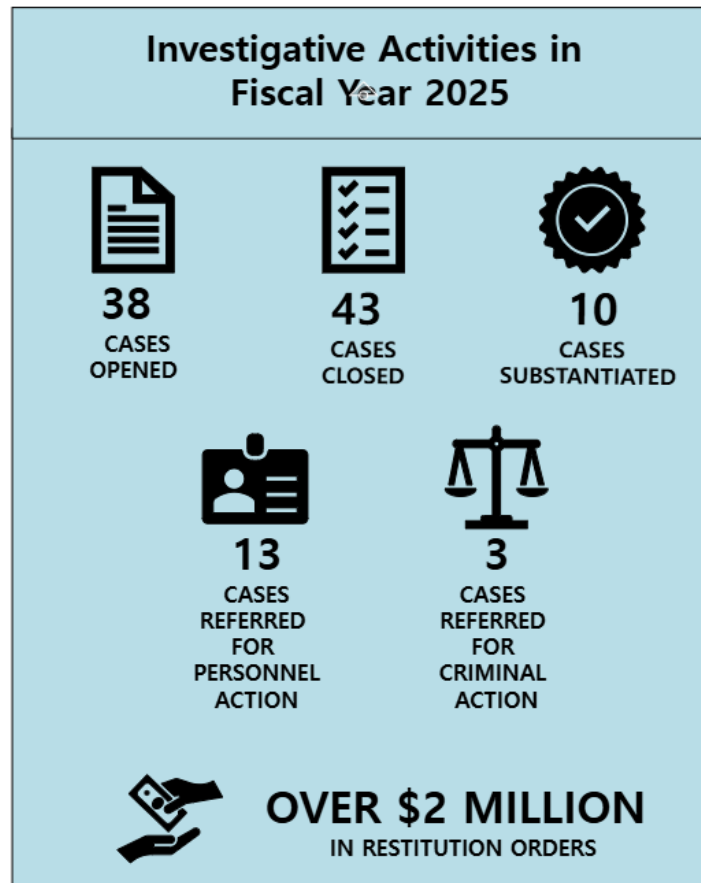
In progress - Nos. 1, 4, 5, 6, and 7

## UPDATE ON PRIOR YEAR AUDIT –SIGNIFICANT SAVINGS REALIZED

[CA 22-1369](#) In October 2022, the OIG issued phase two of a review of California Sales and Use Tax paid by the District. This second review identified \$2.7 million in tax overpayments. The tax firm engaged to perform the review also filed the appropriate refund claims and supported the District through the refund process.

On July 23, 2024, the District received a refund of **\$2,925,467** which included credit interest. Since 2021, the District has received refunds totaling **\$8.2 million** as a result of these tax recovery services. The total cost for these engagements was \$438,000.

## INVESTIGATION HIGHLIGHTS



In FY 2025, the OIG opened 38 cases and closed 43 (10 were substantiated) involving allegations of improper or illegal activities by District employees, contractors, or other entities doing business with the District.<sup>5</sup> This year, we referred three cases for criminal action and 13 cases for personnel action (discipline).

The OIG investigated cases relating to allegations of fraud, waste, or abuse. Our investigative work resulted in three personnel actions, one criminal action, and over \$2 million in restitution orders.

Below are summaries of investigations in which one or more allegations were substantiated and that were closed in FY 2025.<sup>6</sup>

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<sup>5</sup> There is no correlation between the number of cases opened and those that are closed. Cases can take more than a year to investigate, and therefore can be closed after the year in which they are opened.

<sup>6</sup> Case numbers refer to closed investigations as listed in Table 8 of Appendix 2.

## **CRIMINAL CONVICTIONS AND SENTENCING**

### **Case No. 10**

The OIG received a complaint from the Special Investigations Unit of an insurance company requesting assistance in investigating possible benefit fraud and falsification of documents by a teacher. The insurance company's records showed that the teacher filed five disability claims that were not verified by LAUSD.

The OIG investigation determined that the teacher forged the signature of the School Administrative Assistant (SAA) on several of the insurance company's disability benefit claim forms. As a result of these false claims, the teacher received \$45,175 in disability benefit payments that the teacher was not entitled to.

The teacher subsequently resigned from LAUSD before discipline could be imposed. The teacher reimbursed \$6,390 to the insurance company, which brought the outstanding balance still owed down to \$38,785.

The OIG referred its investigation to the Los Angeles District Attorney's Office and the former teacher was charged with two criminal counts. The teacher subsequently pleaded No Contest to one felony count and was sentenced to one year of formal probation and ordered to pay restitution to the insurance company in the amount of \$38,785.

### **Case No. 1**

The OIG assisted the Department of Labor OIG with an investigation into criminal allegations related to an LAUSD employee. Ultimately, the employee pled guilty to one count of Conspiracy to Commit Wire Fraud in a non-LAUSD related Federal investigation. The employee was sentenced to 41 months in prison and was separated from LAUSD.

## **OTHER SUBSTANTIATED, CLOSED INVESTIGATIONS**

### **Case No. 5**

The principal and an employee of a school partnership organization conspired to violate LAUSD policy when they hired a former LAUSD employee as a vendor to circumvent the former employee's "do not hire" status. The principal was suspended and demoted.

### **Case No. 6**

A principal hired their adult child to work for them at two different LAUSD schools while denying their relationship on District Nepotism forms. The principal appeared to approve payroll for hours that the adult child did not work. The principal was also found to have

allowed the SAA to claim their own overtime hours with no prior approval or documentation. The SAA attempted to conceal evidence against the Principal from the OIG. The principal, the adult child, and the SAA all resigned from the District in lieu of disciplinary action.

#### **Case No. 35**

The OIG received a complaint from the parent of a former student at an LAUSD school. The student had been severely injured when they were bullied at school by a fellow student. The parent asked the Assistant Principal at the school for assistance so that the parent could see if LAUSD would cover a portion of the student's medical bills. The Assistant Principal reportedly ensured the parent that they would submit the student's medical bills on the parent's behalf to the District Office of Risk Management.

The OIG investigation determined that the Assistant Principal never submitted any medical claim to the Office of Risk Management on behalf of the injured student. Additionally, the Assistant Principal ignored the parent's calls and emails for nearly a year which sought updates on the status of the student's medical claim. As a result, the parent missed the deadline to file a claim with the District.

The investigation further determined that the Assistant Principal was untruthful throughout the internal investigation into this matter. The OIG referred the case to Staff Relations for possible disciplinary action. The Assistant Principal subsequently received a conference memo.

The OIG also worked with Risk Management to reopen the student's closed claim and determine if the parent was still eligible for partial reimbursement for medical expenses.

#### **Case No. 7**

A former principal agreed to a demotion with a two-year ban on promotion for violations of the District's nepotism policy. The OIG found that the principal hired their adult child as a substitute teacher on several occasions.

#### **Case No. 11**

The investigation substantiated a violation of the District's nepotism policy, when a Director was found to be in a second level supervisory role over their spouse. The Director retired during the investigation, thus avoiding any potential discipline.

#### **Case No. 37**

The OIG received a hotline tip that an employee had falsified Behavior Intervention Implementation (BII) service logs. The OIG investigation determined that a teacher had

requested BII services for a student, but the BII services were never provided. Instead, the employee falsified service logs to improperly claim that BII services had been rendered.

The OIG referred the case to the District for possible disciplinary action. The employee subsequently received a conference memo.

#### **Case No. 43**

An OIG investigation found that record keeping, and inventory control of certain District assets were almost nonexistent and led to the theft of millions of dollars' worth of materials over several years.

#### **Case No. 34**

The OIG received a hotline tip that a principal had knowingly ignored District procurement policy to hire a vendor/company that was owned by a teacher at the same school. The OIG investigation determined that the principal contracted services from the vendor before the purchase order was approved by the Procurement Services Division (PSD). After learning that PSD rejected the vendor's proposal, the principal sought alternative means to pay the teacher (and owner of the vendor company) via supplemental pay through the District's payroll system in the amount of the rejected contract.

The OIG referred the case to the District for possible disciplinary action. The principal subsequently received a conference memo. The teacher (and owner of the vendor company) resigned before discipline could be imposed.

## SPECIAL SERVICES HIGHLIGHTS



In FY 2025, the OIG created the Special Services Unit. As one of three core units of the OIG, the Special Services Unit plays a key role in advancing the OIG’s mission by spearheading the OIG’s data analytics function to identify areas of risk within the District, and conducting special reviews, technical evaluations, and due diligence and background investigations. The Special Services Unit comprises four functional areas, as described below, and its work provides information for decision-making and recommendations to improve District programs, policies, and procedures.

In FY 2025, the OIG’s Special Services Unit completed three technical evaluations and two special reviews, providing oversight of more than \$23 million worth of District contracts and financial transactions. The Special Services Unit also completed 12 background investigations and 50 due diligence reviews.

### ***Data Analytics***

The OIG’s Data Analytics team has made significant progress in establishing a robust foundation for data-driven insights, with the overarching objective of leveraging these capabilities to enhance risk assessment procedures and proactively identify potential fraud, waste, and abuse. The work has centered around three critical analytics areas: General Ledger, Cash Disbursements, and Fund Balance. To build this foundation, the OIG began the extensive task with four fiscal years of general ledger and cash disbursement data that was collected, normalized, and analyzed. This effort resulted in a substantial dataset, encompassing more than 100 million rows of structured data and then visualized through



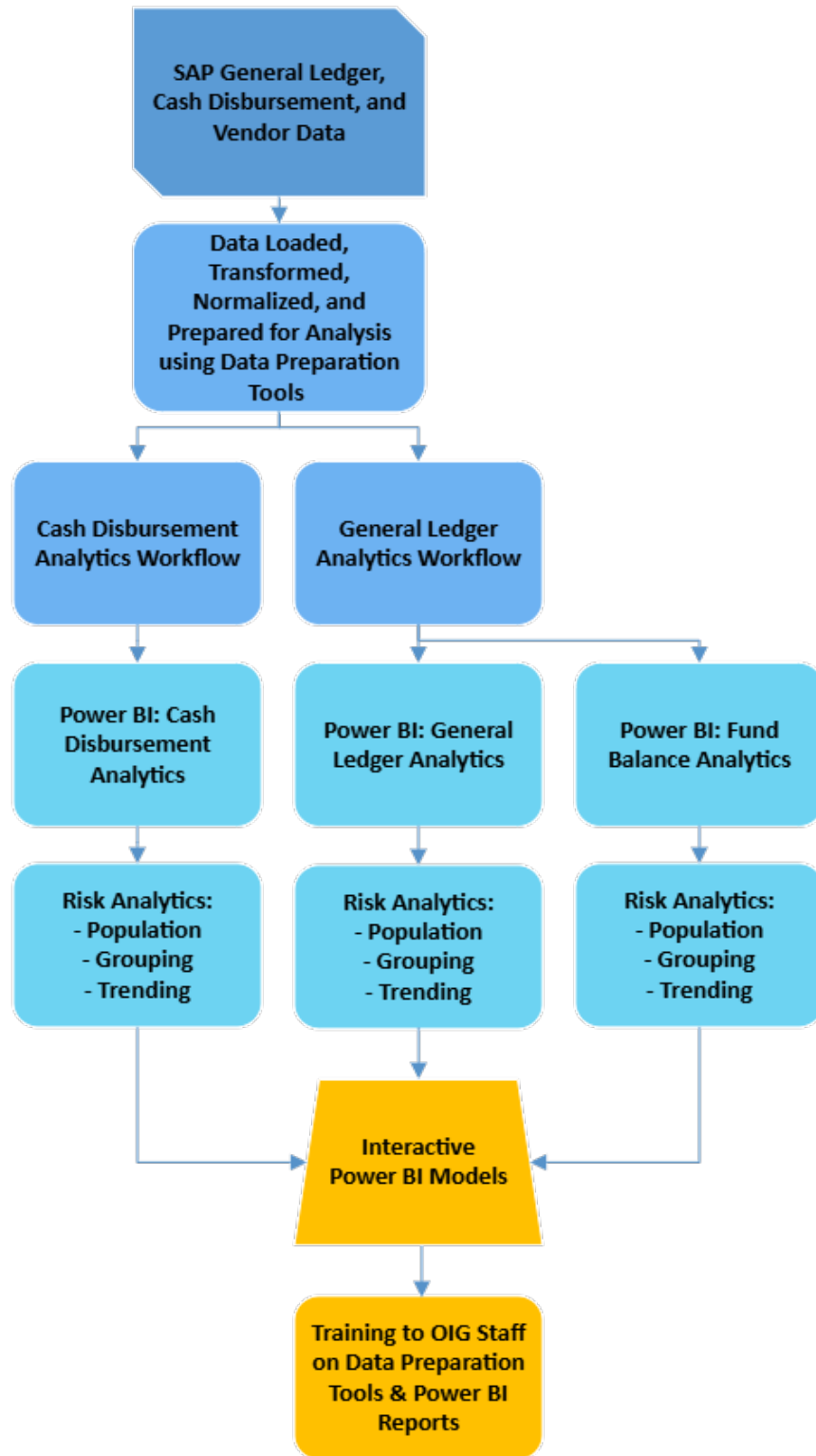
interactive Power BI models and reports, providing a rich historical context for understanding financial trends and operational expenditures.

The OIG, on an ongoing basis, now collects, normalizes and analyzes additional District data every six months, to remain current with the District’s financial activities.

Beyond developing these data analytics tools, the OIG is committed to fostering a data-literate environment within the office. We have proactively empowered staff by providing comprehensive user training, alongside specialized training on data preparation and data visualization tools. This initiative ensures that our staff can confidently leverage these powerful analytical resources independently, maximizing the impact of our data analytics work across the office.

Below is a diagram of our data flow and analytics process. Please note that this diagram provides an overview and does not illustrate every process or risk analytic to protect the confidentiality of our work.

## OIG Data Flow and Data Analytics Process



### ***Funding Constraints***

Due to the OIG's lack of sufficient general funds in FY 2025, the OIG was able to use the Power BI reports to review bond funded programs and expenditures only. We could not use the information to assess general funded programs and expenditures.

### ***Due Diligence and Background Investigations***

The OIG provides due diligence services for the District before the District enters into contracts and agreements to assess whether contractors, vendors, or consultants are free from issues such as criminal history, bankruptcies, or other matters that may impact the District's decision to enter into contracts or agreements with the entity or its principals. Similarly, the OIG performs due diligence reviews of independent charter school operators, which may include governing board members and school administrators.

The OIG also conducts background investigations on prospective District senior management officials before they enter into employment contracts with the District.

This year, we issued 50 due diligence reports and completed 12 background investigations related to facilities contract and procurement matters, independent charter school operators, and prospective senior management contracts.

### ***Special Reviews***

The Special Review Team consists of both auditors and investigators, combining the experience and expertise of the OIG's audit and investigative functions to work on special reviews of Districtwide programs and policies, mostly identified through data analytics or that fall within the expertise of the auditors and investigators in the Special Services Unit. Special reviews are conducted as a result of (i) data analytics, (ii) issues identified during the course of an audit or investigation, (iii) special requests from the Board of Education or District management. Special reviews that conclude with evidence of significant internal control deficiencies and/or inadequate District policies and procedures may be referred to the OIG Audit Unit. Special reviews that conclude with evidence of potential administrative and/or criminal violations may be referred to the OIG Investigations Unit. Special reviews may also conclude with findings and recommendations to District management to improve the effectiveness of their policies and procedures.

This year, we completed two special review projects.

## **Technical Evaluations**

The OIG's Technical Evaluation team evaluates construction projects to ascertain whether school construction bond funded projects were completed in accordance with contract documents, including Division of the State Architect (DSA) approved drawings, specifications, and directives. The team also makes recommendations based on construction and architectural best practices to help strengthen the District's management of construction projects and to ensure that bond monies are being spent appropriately. During FY 2025, the OIG completed three technical evaluations, summarized below.

The summaries of these complex technical evaluations may omit details or nuances in the interest of brevity. Therefore, we encourage a review of the full technical evaluation reports, which are linked to each technical evaluation summary.

### ***Plumbing Utilities Upgrades Project at Taft High School - Pinner Construction Co., Inc.***

[TE 24-440](#): Our technical evaluation of Pinner Construction Co., Inc. (Pinner) and the Plumbing Utilities Upgrades Project at Taft High School found that the scope of the project was not completed by the original Substantial Completion date, however, the delay did not affect the schedule of the succeeding comprehensive modernization project at Taft High School, which included the retrofit, modernization, and replacement of campus facilities. The project was mostly affected by several deficiencies in its planning and design phases and the management of unforeseen conditions that did not properly identify issues with the existing site utilities, which caused change orders that substantially impacted the Project's cost and schedule. We identified issues and made recommendations in the following areas.

#### Findings:

- The project experienced a cost increase of 25.50% through change orders.
- Questioned costs of \$35,047 were identified related to Change Order T-518 and the ground wire in electrical duct banks.
- Project coordination issues for excavation near existing buildings caused delays and resulted in three change orders that added \$186,930 to the project.
- Deficiencies in planning and design quality control.
- Site survey and site utilities investigation issues.
- A necessary Facilities Environmental Technical Unit (FETU) report was not included in the bidding documents.

#### Recommendations:

1. (a) FSD should analyze and evaluate the data for change orders on projects that exceed the contingency thresholds to determine the nature and origin of the

majority of such change orders with the largest monetary impact. Such evaluation should establish measures to prevent the same type of occurrences in future projects. Special attention should be paid to the nature of change orders due to errors and omissions; and

(b) FSD should mitigate the risk of change orders due to errors and omissions and unforeseen conditions by implementing an action plan such as a Lessons Learned program to share the challenges encountered on change orders on construction projects.

2. Pinner should credit the LAUSD appropriately for Change Order T-518, which had a cost of \$35,047.
3. (a) Pinner should review the inadequate excavation procedures and implement changes to prevent similar issues in the future. These might include additional training, better planning and coordination, and stringent oversight;  
(b) FSD Asset Management (AM) should improve the coordination of the work of the commissioned architecture and engineering teams on underground utilities in relation to their immediate project site context. Further recommendations on the management of these issues are provided under Findings Nos. 4 and 5 below; and  
(c) The FSD Project Execution (PEX) should review the process that delayed the approval of Construction Document 162 to simplify, improve, and speed up the approval process of directives that impact the project's schedule and cost.
4. (a) FSD AM should implement a Lessons Learned program to evaluate the planning and design deficiencies on this project to be shared with all branch personnel and facilitate the management of future projects;  
(b) FSD AM should review and share the major deficiencies in the planning and design of the project with the commissioned architecture and engineering teams involved in the project to prevent the repetition of mistakes on future projects with the LAUSD;  
(c) FSD should include the change order rate for errors and omissions or design deficiencies in the performance evaluation metrics for architecture and engineering teams and originate updated periodic reports for a more rigorous evaluation of the qualifications of those teams on future selection processes; and  
(d) FSD should provide clear coordinated project requirements for the enclosure of plumbing equipment devices, such as backflow preventers, in the School Design guidelines and Standard Technical Drawings.
5. (a) FSD AM should implement a Lessons Learned program to evaluate the design deficiencies and conflicts on this project to be shared with all branch personnel and facilitate the management of future projects. Both AM and PEX branches should communicate, review, and document the issues that affected this project to prevent the occurrence of similar problems in future projects;  
(b) FSD AM should review and share the major deficiencies in the identification of site utilities with the commissioned architecture, engineering, and land survey teams, involved in the project to prevent the repetition of mistakes on future projects with the LAUSD; and

- (c) FSD should include the change order rate for unforeseen conditions in the performance evaluation metrics for land survey teams and originate updated periodic reports for a more rigorous evaluation of the qualifications of those teams on future selection processes.
6. (a) FSD PEX should obtain verification and sign-off from upper management that the pertinent documentation is included in the Bid Documents after the issue of the FETU reports; and  
(b) FSD should review why the FETU reports were not included in the bidding documentation and provide safeguard measures to prevent the recurrence of this issue.

District's Response:

The District agreed with all recommendations except for Recommendation No. 2.

Pinner's Response:

Pinner also disagreed with Recommendation No. 2.

Implementation Status of Recommendations:

Implemented - Nos. 3b, 3c, 4c, 4d, 5a, and 5c

In progress - Nos. 1a, 1b, 3a, 4a, 4b, 5b, 6a, and 6b

***Classroom Replacement Project at Wonderland Elementary School - Geronimo Concrete, Inc.***

[TE 24-0307](#): The OIG conducted a technical evaluation of Geronimo Concrete, Inc. (Geronimo) for the Classroom Replacement Project at Wonderland Elementary School which had an original contract value of \$6.3 million. The OIG concluded that Geronimo completed most of the project work in accordance with the contract, and we observed Geronimo's good workmanship in their completed work. However, we found that Geronimo did not fully comply with all the contract requirements. We also found issues regarding FSD's management and its consultant.

Findings:

- The project was substantially completed 375 days later than the original substantial completion date. The OIG determined that this was mainly due to material supply chain issues caused by the COVID-19 pandemic, logistical difficulties due to the school's location, and community requests to adjust work hours due to noise.
- Exterior plaster cracks in the new Kindergarten building's walls and ceilings.
- Delayed certification by the Division of the State Architect (DSA). The project has not yet been certified by the DSA more than 20 months after it was substantially completed due to additional safety-related work requested by the District's Office of Environmental Health and Safety (OEHS) and a missing enclosure needed to protect the water main backflow preventer.

- The OIG found that the District’s project management staff did not manage the school keys in accordance with the District’s guidelines, resulting in a \$22,747 loss to the District.

#### Recommendations:

1. FSD should assess the reasons for delays in accordance with General Conditions Article 12 and issue a change order to adjust the contract time.
2. (a) Geronimo must ensure that everything in the scope of work is completed according to the plan; and  
(b) FSD should ensure that the project inspector conducts thorough inspections to identify, document, and report deviations in the construction from the requirements of the construction documents. Additionally, FSD should ensure that control joints are placed at regular intervals in accordance with the American Society for Testing and Materials standards.
3. (a) FSD should coordinate with OEHS to ensure that OEHS verifies safety-related design issues early or mid-construction to avoid delays in project certification; and  
(b) FSD should ensure that the Project Authorized Owner Representative (OAR) and the design manager verify that the required enclosure was included in the construction documents where pipe-and-valve assemblies are exposed above grade to comply with the District School Design Guide.
4. FSD PEX should provide its project management staff with guidelines, lessons learned, and training as necessary to ensure that contractors do not possess school keys and that all keys are kept in a locked safe or vault when not physically in the possession of authorized school staff, as required by the District policy.

#### District’s Response:

The District agreed with all recommendations except for Recommendation No. 1.

#### Geronimo’s Response:

Geronimo agreed with all recommendations.

#### Implementation Status of Recommendations:

Implemented - Nos. 2a, 2b, 3a, 3b, and 4

#### ***Roofing Project at Mulholland Middle School – Eberhard – Contract No. 4400011944***

**25-0174-TE:** A technical evaluation was conducted on the Roofing Project at Mulholland Middle School and Eberhard, the primary contractor. The OIG found that the scope of the project was successfully completed, with a change order rate of 2.31%, which is well below the industry average of 8–14%. However, we observed a few deficiencies in its planning and execution phases.



### Findings:

- Deficiencies in the installation of the gymnasium overflow scuppers. There were no approved shop drawings for that portion of the work.
- The Contractor Evaluation Form was not fully completed. FSD did not obtain the necessary input from the School Principal to ensure a comprehensive scoring evaluation of Eberhard.
- There were project planning delay issues. The project took over seven years and five months to be completed by FSD. The District's Board of Education (BOE) approved it on March 14, 2017, construction did not start until September 1, 2023, and the project did not achieve Substantial Completion until August 30, 2024. The delay caused cost escalation and recurring maintenance issues.
- The project requirements for removing and replacing roof downspouts for 15 of the 33 buildings on campus were not clearly specified. Although the specifications indicated that these damaged downspouts should be removed, they were not.
- Lack of clarity on Section 179D tax credit requirements. The Bid Form requirement for Section 179D Tax Credits was not necessary, and there was no clear direction on how to obtain these credits.

### Recommendations:

1. (a) FSD Maintenance and Operations Execution unit (MOX) and Eberhard should work out a solution to mitigate the deficiencies in the installation of the roof overflow scuppers; and  
(b) FSD MOX should ensure that shop drawings are submitted and reviewed for all project components that require detailed information.
2. FSD MOX should ensure that the Contractor Evaluation Form is reviewed, completed, and signed by all responsible personnel so that the Contractor receives a fair score for evaluation and consideration on future bid opportunities with the LAUSD.
3. (a) FSD MOX should prioritize the execution of BOE-approved critical repair projects to prevent the additional financial impact of delayed repairs, cost escalation issues, safety issues, and operational efficiency. We would suggest that FSD MOX create and distribute a live project calendar, detailing the planned start and end dates of construction projects approved by the BOE, alongside the actual construction schedule. This will facilitate better assessment and tracking of project progress by the BOE; and  
(b) FSD should avoid delaying essential critical repair projects for years at a time while awaiting the outcome of uncertain project studies and initiatives. For future projects, FSD should implement a parallel planning approach, allowing critical repair projects to move forward on an independent track while pilot or exploratory programs are still being evaluated. Additionally, FSD should establish clear decision-making timelines and contingency plans to minimize the risk of further deterioration and added costs.

4. FSD MOX should review the use of clear language in the Summary of Work for the project specifications on all projects. Additionally, if the scope of work is uncertain, it should indicate that some of this work be noted as an allowance.
5. FSD MOX should review the bidding documents to ensure that clear, actionable requirements are provided to all bidders to obtain a more predictable course of action and estimated price.

District's Response:

The District agreed with all recommendations.

Eberhard's Response:

Eberhard agreed with the recommendations that pertained to them (i.e., Recommendation Nos. 1a, 4, and 5).

Implementation Status of Recommendations:

Implemented: Nos. 2, 3a, 3b, 4, and 5

In progress: Nos. 1a and 1b

## MONETARY BENEFITS

The OIG is committed to identifying and reducing fraud, waste, and abuse and to identifying opportunities for achieving greater economy, efficiency, and effectiveness that may result in the saving or recovery of funds that can be used toward student-centered goals. The OIG classifies monetary benefits into the following major categories: restitution, settlements, funds put to better use, and questioned costs.

- *Restitution* is the voluntary or court-ordered repayment of funds obtained through unlawful means.<sup>7</sup>
- *Settlements* are formal legal agreements resolving damage claims with repayment.
- *Funds put to better use* incorporate recommendations that may result in more efficient use of District funds.
- *Questioned costs* are costs that are disallowed or unsupported and are primarily incurred on contracts, grants, and other forms of cooperative agreements.

OIG investigative activities may also result in monetary benefits such as fines, recoveries, and forfeiture that can include non-District funds identified as a result of our investigative efforts. The OIG helps recover any restitution or forfeiture owed to the District.

Quantifying the monetary value of OIG services for any one year often means assigning value for efforts that often span several years. During FY 2025, the OIG identified approximately \$1.1 million in potential monetary benefits through its audits and technical evaluations.



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<sup>7</sup> There were two restitution orders resulting from investigative activities.

**TABLE 1 FY 2025 Monetary Benefits**

AUDITS				
Report No.	Report Title	Funds Put to Better Use	Questioned Costs	Unsupported Costs
CA 24-1429	Hensel Phelps Construction Co. (Contract No. 4400008306)		\$1,105	
CA 24-1432	Pinner Construction Co. Inc. (Contract No. 4400007495)		\$11,697	
CA 24-1434	Turtle ALA, LLC. (Contract No. 4400008234)		\$243,193	
CA 24-1433	Sinanian Development, Inc. (Contract No. 4400005873)		\$32,126	
CA 23-1431	Kemp Bros Construction, Inc. (Contract No. 4400005814)		\$73,311	
CA 24-1436	Mainline Information Systems (Contract No. 4400007798)		\$5,145	
CA 24-1437	Consolidated Electrical Distributors (Contract No. 4400008233)		\$25,286	
CA 24-1439	PCN3 (Contract No. 4400009999)		\$23,936	
CA 24-1438	Clark Construction Group-CA, LP (Contract No. 4400009160)		\$35,552	
CA 24-1449	Hey Tutor, Inc. (Contract No. 4400010491)		\$62,709	
OA 25-1455	Volume Rebate		\$615,772	
	<b>SUBTOTAL</b>		<b>\$1,129,832</b>	

SPECIAL SERVICES <sup>8</sup>				
Report No.	Report Title			
24-0440-TE	Pinner Construction Co., Inc. and the Taft Charter High School Plumbing Utilities Project (Contract No. 4400009197)		\$35,047	
	<b>SUBTOTAL</b>		<b>\$35,047</b>	

<b>POTENTIAL MONETARY BENEFITS TO LAUSD</b>		<b>\$1,164,879</b>	
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<sup>8</sup> Although not a questioned cost, and therefore not included in the totals, the OIG noted in our technical evaluation of Geronimo Concrete, Inc. (24-0307 TE), that the cost to replace keys that were stolen was \$22,747.

## AUDIT ACTIVITIES



### ***FY 2025 Summary of Audit Activities***

The OIG issued 26 reports that resulted in 78 recommendations, which are listed under each respective audit summary along with their implementation status as last reported to the OIG. This year, our audit activities identified \$1.1 million in questioned costs. Table 2 is a summary of the audit activities for the period ending June 30, 2025:

**TABLE 2 - Type of Audit Activities**

Type of Activity	Completed
Incurred Cost Audits	14
Performance Audits	10
Change Order Audits	2
<b>TOTAL</b>	<b>26</b>

In FY 2025, an Assistant Inspector General managed the staff and work of the Audit Unit and served as the principal advisor to the Inspector General on audit matters.

The Audit Unit conducts audits of contracts to ensure that District vendors and contractors fulfill contractual obligations and to safeguard the District's funds with integrity and accountability.

Furthermore, the Audit Unit conducts performance audits of various District programs, processes, and functions to assess efficiency and effectiveness, ensure adequate internal controls, and to verify that the reviewed areas are in compliance with applicable laws, regulations, and District policies and procedures.

The OIG also has an agreement with the District to audit change orders which exceed \$1 million related to construction projects.

## ***Annual Risk Assessment Process***

The OIG’s comprehensive risk assessment process serves as the foundation for the Annual Work Plan. This process involves the definition, identification, and categorization of risks applicable to the District. It also includes the organization of District operations into auditable areas, developing risk factors, and assessing the likelihood and impact of those risk factors relative to each auditable area. The OIG also surveys key LAUSD stakeholders, including members of the Board of Education, District management, the Bond Oversight Committee, and the public at large, to consider risks and opportunities from multiple perspectives. These surveys inform our risk assessment and provide an opportunity to engage our employees, students, and families in this important process.

## ***Annual Work Plan***

The Audit Unit performs its work primarily in accordance with Government Auditing Standards that mandate that audit units operate pursuant to an annual work plan that identifies the specific areas of focus for an upcoming fiscal year. The annual work plan is a “working” document that is modified throughout the year as circumstances, risk, priorities, and resource availability dictate. Each year, the OIG’s work plan is approved by the Board of Education and published on our website. The new FY 2026 work plan is available via this link: [FY 2026 Work Plan](#)

The work plan provides a description of the audit and investigative areas we plan to focus on during the fiscal year. In developing the annual work plan, we factor in the results of our risk assessment surveys to help us deliver products that are relevant and deemed valuable by our stakeholders.

## ***Audit Process***

In FY 2025, the OIG added a step in this audit process. The OIG is now providing District personnel in impacted divisions with a “working draft” of our audits, before issuing a final draft to which the OIG requests the District’s response. After giving the District the working draft, the OIG and the District meet to discuss the audit. Although this new step adds time to the audit process, it allows the OIG and the District to discuss audit findings and recommendations, thus facilitating a partnership for effecting meaningful change.

## INVESTIGATIVE ACTIVITIES



### *FY 2025 Summary of Investigative Activities*

Tables 3 and 4 summarize the accomplishments from our FY 2025 investigative work:

**TABLE 3 - Investigative Activities**

<b>Cases Opened</b>	38
<b>Cases Closed</b>	43
<b>Cases Referred for Criminal Prosecution</b>	2
<b>Criminal Actions Taken<sup>9</sup></b>	1
<b>Cases Referred for Personnel Action</b>	13
<b>Personnel Actions Taken<sup>10</sup></b>	3
<b>Subpoenas Issued</b>	3
<b>Restitution, Forfeiture, Awards</b>	\$2,271,552
<b>District Loss or Waste Identified</b>	0

<sup>9</sup> There is no correlation between the cases referred for criminal prosecution and the cases that resulted in criminal actions. Criminal actions include arrests, charges, convictions, pleas/agreements/negotiations, sentencing, and search warrants.

<sup>10</sup> There is no correlation between the cases referred for personnel action and the cases that resulted in personnel actions. Personnel actions include suspensions, reassignments, notices of unsatisfactory service, and separations.



The Investigations Unit investigates allegations of improper or illegal activities by District employees, contractors or other entities doing business with the District. The focus is financial in nature. The Investigations Unit also performs a variety of other services that are described in this section. Most of the investigative workload results from the receipt of allegations of improper activity through tips received by the District's 24/7 hotline, which is run by the OIG. The Investigations Unit also receives referrals from the Audit Unit and District management. The remaining workload consists of proactive projects designed to prevent fraud, waste, and abuse.

In FY 2025, the former Deputy Inspector General, Investigations (DIGI) retired and the Inspector General managed the staff and the work of the Investigations Unit for the remainder of the year. The goal in FY 2026 will be to fill the vacancy with a new Assistant Inspector General (AIG) who will manage the team and serve as the principal advisor to the Inspector General on investigative matters.

The Inspector General is authorized by statute to subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information that reasonably relates to an inquiry or investigation undertaken by the OIG. During FY 2025, the OIG issued three subpoenas for business or financial records relevant to ongoing investigations. In accordance with the OIG's authorizing state statute (California Government Code Sections 35400 et.seq.), the OIG files a report on the use and effectiveness of the OIG's Subpoena power every year with the California state legislature.

As of the end of FY 2025, the OIG was actively engaged in 35 investigations. Allegations include violations of District policies and civil and criminal acts of fraud, waste, and abuse. Once completed, the investigations will either be closed or presented for criminal prosecution, civil recovery, and/or personnel action (discipline).

### **OIG Hotline**

The OIG manages the fraud, waste, and abuse hotline for the entire District, which generates hundreds of complaints, allegations of criminal conduct, and District policy violations from internal and external sources each year. According to studies conducted by PwC<sup>11</sup> and the Association of Certified Fraud Examiners (ACFE), corporate and occupational fraud is detected most often by whistleblowers or tipsters, rather than internal controls or law enforcement activities. According to the ACFE's Occupational Fraud 2024: A Report to the

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<sup>11</sup>[https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/session9/US/NWC\\_NationalWhistleblowersCenter\\_Annex2.pdf](https://www.ohchr.org/sites/default/files/lib-docs/HRBodies/UPR/Documents/session9/US/NWC_NationalWhistleblowersCenter_Annex2.pdf)

Nations,<sup>12</sup> 43% of frauds were detected by tips. As a result, they recommend that companies have robust reporting mechanisms, such as a hotline.

With this in mind, the OIG has continued its outreach efforts to promote and raise awareness about the OIG hotline. In FY 2025, we continued our presence on social media, and we made presentations about our work to approximately 3,000 District employees, at Regional principal's meetings and new employee orientations.



In addition to responding to allegations of fraud, waste, and abuse, we ensure other matters from the hotline are referred to District departments and are adequately addressed and responded to promptly.

In FY2025, the OIG received 361 complaints/allegations, most of which required some level of investigative follow-up. Tables 4 and 5 summarize the hotline calls received in FY 2025.

**TABLE 4 - FY 2025 Hotline Calls by Disposition and Reporting Party**

Disposition	No. of Calls	Reporting Party							
		Anonymous	Employee	Parent	Private Individual	Student	Investigation Initiative	Contractor	Other or Unknown
Referred to District Management or other agency	209	118	27	36	22	2	0	0	4
No Action Taken	102	71	13	4	12	1			1
Other Action Taken	12	2	9		1				
OIG Investigation	38	8	16	4	2		6	1	1
<b>TOTAL</b>	<b>361</b>	<b>199</b>	<b>65</b>	<b>44</b>	<b>37</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>6</b>

<sup>12</sup> <https://www.acfe.com/-/media/files/acfe/pdfs/rtnn/2024/2024-report-to-the-nations.pdf>

**TABLE 5 - FY 2025 Hotline Calls by Type of Allegation and Disposition**

	No. of Calls	OIG Investigation	Referred to District Management or other agency	No Action Taken	Other Action Taken
<b>Type of Allegation</b>					
Violation of Policy	145	19	75	44	7
Unethical Conduct	94	6	48	38	2
Health and Safety	83	1	70	12	0
Fraud/Theft	24	9	9	5	1
False Certification	6	0	4	2	0
Reviews and Other Matters	3	0	3	0	0
Whistleblower complaints	6	3	0	1	2
<b>TOTAL</b>	<b>361</b>	<b>38</b>	<b>209</b>	<b>102</b>	<b>12</b>

District employees, students, families, other stakeholders, and members of the public are encouraged to report fraud, waste, and abuse at:

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

Phone: (213) 241-7778

Toll-free: (866) 528-7364

Inspector.General@lausd.net



## SPECIAL SERVICES



### *FY 2025 Summary of Special Services*

**TABLE 6 -Special Services Reports**

Technical Evaluations	3
Special Reviews	2
Charter School Due Diligence	26
Contractor/Vendor Due Diligence	24
Background Investigations	12
<b>Reports Completed</b>	<b>67</b>

In FY 2025, the OIG reorganized and created a third operational unit focusing on technical evaluations, special reviews, and background investigations. An Assistant Inspector General was appointed to manage the staff and work of the Special Services Unit and to serve as the principal advisor to the Inspector General on these special services.

The Special Services Unit also plays a key role in advancing the OIG’s mission by spearheading the OIG’s data analytics function to identify areas of risk within the District. The OIG created a data analytics function to support our audit, investigative, and special review work by mining and analyzing District data. The data analytics work is also intended to enable a data-driven approach to how we perform our work, enhance our risk assessment process, inform the selection of audits and special reviews, and proactively drive investigations.

## PROFESSIONAL STANDARDS

The OIG operates in accordance with the Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General (AIG). This is now codified in the OIG authorizing statute, as of January 1, 2025. The principles and standards represent generally accepted principles, quality standards, and best practices applicable to federal, state, and local Offices of Inspectors General.

The OIG conducts its investigations in accordance with the AIG principles and standards' Quality Standards for Investigations. The Education Code requires that every investigation, including all investigative files and work product, be kept confidential.

The AIG principles and standards recommend that OIGs perform audits pursuant to either Government Auditing Standards issued by the Comptroller General of the United States, or Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The OIG performs its audit work primarily in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. Each audit report includes a statement describing the professional standards used for the engagement. This too is now codified in the OIG's authorizing statute.

### ***External Peer Reviews***

The OIG is subject to periodic external peer reviews to assess whether our work adheres to relevant standards. In FY 2023, the AIG assessed the OIG's audit and investigative work for compliance with the AIG Principles and Standards for Offices of Inspector General, the Quality of Standards for Investigations, and the United States GAO Government Auditing Standards. The peer review team concluded that the OIG met all relevant AIG and GAO standards for the period under review.

The next OIG peer review is scheduled for Fall 2025 to assess the OIG's audit work for compliance with the AIG Principles and Standards for Offices of Inspector General and the United States GAO Government Auditing Standards.

### ***Internal Quality Control and Assurance Program***

An internal Quality Control and Assurance Specialist (QC&A Specialist) conducts reviews to ensure that audits and investigations are performed in compliance with professional standards and OIG policies and procedures. The recommendations from these reviews help strengthen OIG compliance with ongoing and future OIG activities. The QC&A Specialist also serves as the OIG's main point of contact with external peer review teams and coordinates all aspects of the peer review process.

## External Assistance

Government Auditing Standards and Quality Standards for Offices of Inspector General require that staff collectively possess the professional proficiency to accomplish the OIG mission. If staff lacks the proficiency or capacity to accomplish the OIG mission, then support service contractors or outside consultants may be used. In FY 2025, we contracted professional services from the following firms:

- Dannis Woliver Kelley provided legal advice and training services.
- DeLuca Advisory & Consulting Services LLC provided consulting services.
- Greines, Martin, Stein & Richland LLP provided legal advice.

The OIG maintains a “bench” of firms with additional expertise, or that can augment our capacity to perform our work. The following bench firms were retained to perform OIG oversight services during FY 2025:

- Baker Tilly provided audit services.<sup>13</sup>
- Risk Solutions & Investigations, Inc. provided due diligence and background services.<sup>14</sup>
- CliftonLarsonAllen, LLP provided data analytics support services.

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<sup>13</sup> [CA 24-1449](#) An audit of HeyTutor, Inc. under Contract No. 4400010491 for tutoring services.

<sup>14</sup> Due diligence and background reports contain confidential information and are not shared publicly.



## APPENDIX 1

### OIG AUTHORITY

In August 1998, the Board of Education (Board) of the Los Angeles Unified School District began the process of establishing a department within the District whose mission would be to detect and prevent fraud, waste, and abuse in District operations and programs. Those efforts resulted in combining the District's auditors and investigators to form an Internal Audit and Investigations Department. In January 1999, the Board appointed the Department's first Director, and in February 2000, the Board adopted the name, **Office of the Inspector General** and changed the Director's title to Inspector General. The Board resolution which took this action stated:

*"The Board wishes to instill a culture of excellence and professionalism in all aspects of the mission of the Los Angeles Unified School District and finds that an Inspector General approach to detecting and preventing waste, fraud and abuse in all District programs and operations enhances this culture of excellence."*

Following the Board's action, the District secured support for the OIG from the California state legislature during the 2000 legislative session with the introduction of Senate Bill (SB) 1360 and its enactment on September 26, 2000, which granted the OIG statutory authority to conduct investigations. The legislature again addressed the issue in 2002 with Assembly Bill (AB) 2425 that amended Education Code Sections 35400 and 35401. AB 2425 authorized the Inspector General to conduct audits, granted confidentiality to all investigative files and work-product, and extended the original sunset provision to January 1, 2015. In 2014, AB 1825 further extended the sunset provision of Education Code Sections 35400 and 35401 to January 1, 2025.

On January 31, 2024, Senator Lena A. Gonzalez (D-Long Beach) introduced Senate Bill (SB) 991. SB 991 would remove the sunset provision of January 1, 2025, and instead authorize the OIG to exist permanently, require the Inspector General be appointed by the LAUSD Board of Education for a three-year term, and require OIG audits and investigations to conform to the Principles and Standards for Offices of Inspector General published by the Association of Inspectors General. SB 991 was signed by the Governor on September 28, 2024.

Education Code Sections 35400 and 35401 grant the OIG statutory authority to perform some of our most critical functions:

- Conduct audits and investigations and report matters to the local district attorney or the Attorney General for further action.
- Subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of all information and documentary evidence deemed material and relevant to an inquiry or investigation undertaken by the Inspector General.



- Maintain confidentiality of every investigation, including, but not limited to, all investigative files and work product, and the identity of the individual or individuals involved.
- Penalizes any disclosure of information by the Inspector General or that office that was acquired pursuant to a subpoena, and any person that, after the administration of an oath or affirmation, states or affirms as true any material matter that he/she knows to be false.

The Association of Inspectors General, a standard setting body for Inspectors General, believes that the preferable way for an OIG to be established is by statute. This is the manner in which the District chose to give authority and credibility to its OIG.

### ***The OIG Charter***

The OIG Charter outlines the OIG’s authority and responsibilities and provides that the Board expects and encourages the OIG to be an independent voice that expresses its views without censorship by District management. Education Code Section 35400, which authorizes the OIG to conduct audits and investigations, is embodied in the Charter.



Some of the key Charter provisions authorize the Inspector General to:

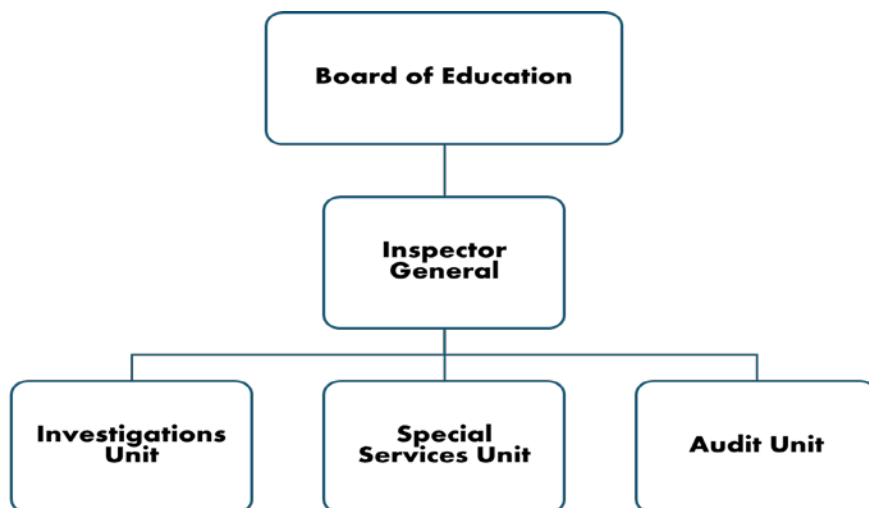
- ☑ Audit and investigate any and all functions within the District as well as charter schools, charter school management organizations, and private entities that do business with the District.
- ☑ Have full, free, and unrestricted access to all District records, reports, audits, reviews, plans, projections, documents, files, contracts, memoranda, correspondence, data or information on hardcopy or electronic media, or other materials of the District.
- ☑ Subpoena witnesses, administer oaths or affirmations, take testimony, and compel the production of such books, papers, records, and documents as may be deemed relevant to any audit, inquiry, or investigation undertaken.
- ☑ Hire staff or employ contract services within the scope of the budget authorized by the Board of Education, and within employment and public procurement requirements.

### **Organizational Structure, Expertise, Budget and Staffing**

The OIG reports directly to the Board to ensure the necessary independence from District managers and staff who may attempt to protect the programs they administer or who may also be implicated. Accordingly, the responsibility for auditing and investigating is assigned to individuals who adhere to professional standards with clear independence from District management.

The OIG is composed of auditors, investigators, and other professional staff who have the authority to examine any and all functions within the District and those of private entities that do business with the District. The Audit Unit conducts audits and evaluations that cover a wide range of programs, processes, function areas, and topics. The Investigations Unit conducts investigations of crimes and/or misconduct by individuals and manages the District’s fraud hotline. The Special Services Unit spearheads the OIG’s data analytics function to identify areas of risk within the District, and conducts special reviews, technical evaluations, due diligence reviews, and background investigations. Due diligence reviews and background investigations are conducted in support of the District’s ongoing efforts to minimize risk through competent review of information related to senior managers, charter school petitioners, and District vendors and contractors.

The Inspector General is appointed by the Board of Education, and manages the OIG with the assistance of three Assistant Inspectors General. The basic organizational structure in FY 2025 was as follows.



### ***OIG Professional Certifications, Credentials, and Training***

The OIG has a highly educated professional staff. Most have advanced degrees and/or professional certifications<sup>15</sup> in their areas of expertise. The staff also has a diligent work ethic and is committed to providing quality service to all elements of the District. Additionally, the OIG benefits from a diverse workforce reflective of the District it oversees.

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<sup>15</sup> Certified Inspector General, Certified Inspector General Auditor, Certified Inspector General Investigator, Certified Inspector General Inspector/Evaluator, Certified Public Accountant, Certified Fraud Examiner, Certified Internal Auditor, Certified Information Systems Auditor, Certified Protection Professional, and Certified Information Systems Manager.

The OIG is committed to maintaining a high professional standard with respect to our oversight mission. Our staff is active in professional organizations, such as the Association of Inspectors General (AIG), the Western States Chapter of the AIG, , American Institute of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, and the California State Bar. The Inspector General currently serves on the Board of Directors of the Western States Chapter of the AIG.

In FY 2025, the OIG staff attended four training sessions to strengthen our understanding of the laws related to the District's procurement processes. The training included, among other legal issues, the fundamentals of bidding, bid splitting, contractor prequalification, the California Multiple Award Schedule, public works projects, and many others. Training was provided to us by a partner in the law firm of Dannis Woliver Kelley.

### ***Budget and Staff***

In FY 2025, the OIG had 51 authorized positions and a total budget of \$10.6 million (made up of approximately \$6.1 million in general funds and \$4.5 million in bond funds). The OIG is also supported by administrative staff and internal quality assurance staff tasked with ensuring that all work performed adheres to District rules, regulations, and governing professional standards.

As we explained on page 4 of this report, resources were reduced in the Audit and Investigations Units in FY 2025 due to retirements and an internal reorganization, partially structured to address the District's budget shortcomings.

In all of our work, the OIG seeks to provide the Board and District staff with independent and objective information about the operations of the District and those with whom it does business.

## APPENDIX 2

### AUDITS, CLOSED INVESTIGATIONS, TECHNICAL EVALUATIONS

**TABLE 7 – Audits Completed in FY 2025**

Report Date	Report No.	Report Title
7/16/2024	CA 24-1429	Hensel Phelps Construction Co. (Contract No. 4400008306)
8/6/2024	CA 24-1432	Pinner Construction Co. Inc. (Contract No. 4400007495)
8/23/2024	CA 24-1434	Turtle ALA, LLC. (Contract No. 4400008234)
8/29/2024	CA 24-1433	Sinanian Development, Inc. (Contract No. 4400005873)
9/5/2024	CA 23-1431	Kemp Bros Construction, Inc. (Contract No. 4400005814)
9/30/2024	CA 24-1435	Pinner Construction Co., Inc. --Grant SH (Contract # 4400007495 CO T-596)
10/8/2024	CA 24-1436	Mainline Information Systems (Contract No. 4400007798)
10/10/2024	CA 24-1437	Consolidated Electrical Distributors (Contract No. 4400008233)
11/19/2024	CA 24-1439	PCN3 (Contract No. 4400009999)
11/26/2024	OA 24-1440	Design-Build Policies and Procedures Audit
11/27/2024	CA 24-1438	Clark Construction Group-CA, LP (Contract No. 4400009160)
3/14/2025	OA 24-1443	Hill International, Inc. (Contract No. 4400007487)
3/14/2025	OA 24-1442	Cummings Management Group, Inc. (Contract No. 4400007486)
3/25/2025	OA 24-1444	JG Management Consultant, Inc. (Contract No. 4400007489)
4/15/2025	CA 25-1445	California Certified Construction (Contract No. 4400010524)
4/15/2025	CA 25-1446	Hensel Phelps Construction Co. (Contract No. 4400009012 CO T-652)
5/16/2025	OA 25-1014	Health Benefits
5/20/2025	CA 25-1447	Sandy Pringle Associates, Inc. (Contract No. 4400011124)
5/20/2025	CA 24-1449	Hey Tutor, Inc. (Contract No. 4400010491)
6/3/2025	OA 24-1452	Information Technology Support Services - Procurement Process
6/10/2025	OA 25-1453	Bond Rate Accuracy in Change Orders
6/23/2025	OA 25-1455	Volume Rebate Program
6/24/2025	Ca 25-1451	CNS Environmental (Contract No. 4400010136)
6/24/2025	OA 25-1456	Follow-up Audit: Physical Security of Schools

6/27/2025	OA 24-1457	P-Card Use and Compliance
6/30/2025	CA 25-1458	Ninyo & Moore (Contract No. 4400008553)

**TABLE 8 - Investigations Closed in FY 2025<sup>16</sup>**

Date Closed	Case No.	Description of Initial Complaint
8/5/2024	1	Unemployment Insurance Fraud
8/28/2024	2	Theft
9/10/2024	3	Management Misconduct
9/24/2024	4	Theft
10/17/2024	5	Conspiracy to Circumvent Hiring Guidelines
10/17/2024	6	Nepotism
10/17/2024	7	Nepotism
10/23/2024	8	Conflict of Interest
11/5/2024	9	Misconduct by Vendor
11/21/2024	10	Unemployment Insurance Fraud
11/26/2024	11	Nepotism
12/10/2024	12	Management Misconduct
2/26/2025	13	Violation of Program Guidelines
4/15/2025	14	Violation of District Procurement Policies
4/21/2025	15	Conflict of Interest
4/21/2025	16	Payroll Fraud
4/21/2025	17	Conflict of Interest
4/21/2025	18	Conflict of Interest
4/21/2025	19	Mismanagement of Program Funds
4/22/2025	20	Retaliation
4/30/2025	21	Theft
4/30/2025	22	Management Misconduct
4/30/2025	23	Fraud
4/30/2025	24	Timecard and Benefits Fraud
4/30/2025	25	Management Misconduct
5/1/2025	26	Conflict of Interest and Retaliation

<sup>16</sup> As stated in the initial complaint.

5/1/2025	27	Mismanagement of Federal Funds
5/8/2025	28	Manager Misconduct and Insubordination
5/9/2025	29	Workers Compensation Fraud
5/9/2025	30	Management Misconduct
5/9/2025	31	Management Misconduct
5/12/2025	32	Management Misconduct
5/14/2025	33	Violation of District Procurement Policies
5/19/2025	34	Violation of District Procurement Policies
5/19/2025	35	Management Misconduct
6/20/2025	36	Management Misconduct
6/24/2025	37	Mismanagement of Funds
6/24/2025	38	Management Misconduct
6/24/2025	39	Fraud
6/25/2025	40	Theft
6/26/2025	41	Timecard and Benefits Fraud
6/26/2025	42	Theft
6/30/2025	43	Timecard and Benefits Fraud

**TABLE 9 - Technical Evaluations Completed in FY 2025**

Report Date	Report No.	Report Title
2/14/2025	24-0307-TE	Geronimo Concrete, Inc. and the Classroom Replacement Project at Wonderland Elementary School (Contract No. 4400009058)
5/19/2025	24-0440-TE	Pinner Construction Co., Inc. and the Taft Charter High School Plumbing Utilities Project (Contract No. 4400009197)
6/12/2025	25-0174-TE	Eberhard and the Mulholland Middle School Roofing Project (Contract No. 4400011944)

## APPENDIX 3

### ADDITIONAL AUDIT SUMMARIES

This section includes summaries of audits not included in the FY 2025 Highlights section. These summaries, particularly for the more complex audits, may omit details or nuances in the interest of brevity. Therefore, we encourage a review of the full audit reports, which are linked to each audit summary below.

#### ***Contract Audit of Ninyo & Moore Geotechnical & Environmental Sciences Consultants***

[CA 25-1458](#) The OIG issued an audit of Ninyo & Moore Geotechnical & Environmental Sciences Consultants under Contract No. 4400008553 to provide material testing and special inspection services. This audit was to assess whether the amounts billed were adequately supported and in accordance with the contract's terms and conditions. It also determined whether services were provided as required by the task orders.

##### Conclusion:

- Ninyo & Moore's billings were adequately supported and allowable under the contract. Labor hours and laboratory costs were properly documented, matched the contract rates, and followed all contract requirements. No exceptions were found in the sample tested.
- Ninyo & Moore provided the required services for the task orders reviewed. For 10 out of 28 task orders, Ninyo & Moore completed the work according to the contract scope and submitted the necessary reports. The remaining 18 task orders were still in progress.

#### ***Contract Audit of CNS Environmental, Inc.***

[CA-25-1451](#) The OIG issued an audit of CNS Environmental, Inc. under Contract No. 4400010136 for asbestos, lead-containing material, and hazardous materials consulting services. This audit assessed whether CNS's billings were accurate and allowable, and whether the services were provided as required by task orders.

##### Conclusion:

- CNS's invoices were supported by documentation, billed at the approved contract rates, and complied with all contract requirements. Labor hours and laboratory costs were properly documented and allowable. No exceptions were identified in the sample tested.



- CNS provided the required services for task orders reviewed. Of the 28 task orders sampled, CNS completed the work in accordance with contract scope and submitted the necessary reports for 26 of the task orders. The remaining two task orders were cancelled and did not require deliverables.

### ***Performance Audit of the Procurement Process for Information Technology Services Contracts***

**OA 24-1452** The OIG issued an audit of the District’s Procurement Process for Information Technology Services (ITS) contracts. The objective of the audit was to determine whether the procurement of ITS contracts was in accordance with the PSD Procurement Manual and the Information Technology Support Services (ITSS) Handbook. The OIG examined three different contracts and processes to determine if there were any common issues for the three ITS contracts. The OIG found that the procurement process for the ITS contracts reviewed was in accordance with the PSD Procurement Manual and the ITSS Handbook.

#### Observations:

- Observation 1: The manufacturer's price list and a written authorization/verification (proof of authorized dealer) from the manufacturers for one bidder (Vector Resources, Inc.) were unavailable.
- Observation 2: PSD did not send a cost analysis request to the OIG (for any of the three procurements), as stated in the PSD Procurement Manual.
- Observation 3: PSD did not obtain the product prices and conduct a cost analysis (for AAA Solutions and Responder Systems) to determine the bidder with the lowest cost for each product.
- Observation 4: The vendor due diligence reviews completed on the three contracts selected for review were inconsistent.
- Observation 5: The weighted average discount rate on the rate schedule submitted by two bidders (AAA Solutions and Responder Systems) on one of the Invitation for Bid (IFB) responses was inaccurately calculated.
- Observation 6: PSD did not verify that the District received the benefit of the highest discount rates given by any of the bidders to any other school district, state, county, municipal, or local government agency for the goods and services listed in the IFBs.

#### Recommendations:

1. PSD should ensure that each vendor's bid submission includes a link to or a copy of the manufacturer’s published price list and a written authorization/verification that the vendor is an authorized dealer.
2. PSD should (i) determine whether a cost analysis is applicable to the procurement of goods and services, (ii) determine the department that should complete it and engage that department to assess the feasibility and develop applicable criteria, and (iii) update the procurement manual accordingly.

3. PSD should complete a cost analysis that includes product prices, in addition to discount rates when bids received include similar products from different/multiple manufacturers, to determine which bidder(s) offers the lowest cost to the District before awarding a contract or issuing a purchase order.
4. PSD should create a policy for due diligence reviews, which includes the methodology and checklist for different levels of due diligence reviews based on appropriate criteria, such as the type of procurement method.
5. PSD should ensure that the Microsoft Excel format provided to bidders is designed to ensure accurate combined total weighted average percentage of discount rates by all bidders.
6. PSD should identify and formalize a process for verifying that the District receives the benefit of the lowest price or highest discount rates given by the bidders to any other school district, state, county, municipal, or local government agency.

*District's Response:*

The District agreed with three recommendations (Nos. 1, 5, and 6), partially agreed with two recommendations (Nos. 2 and 3), and disagreed with one recommendation (No. 4).

*Implementation Status of Recommendations:*

In progress

***Performance Audit of Retiree Health Benefits Eligibility***

**OA 25-1014** The OIG issued an audit of Retiree Health Benefits Eligibility. District-sponsored health benefits for retirees include medical, dental, and vision coverage. The objective of this audit was to verify the eligibility of individuals receiving District-sponsored health benefits following their retirement. During fiscal years 2021/2022, 2022/2023, and 2023/2024, 4,939 employees retired from the District. The OIG selected and tested the health benefits eligibility of 39 (.8%) of these retirees whose employment with the District was partially or fully funded by bond funds. Due to the OIG's funding restrictions, we were unable to test the eligibility of retirees whose employment with the District was funded through other sources, such as general funds, and federal and state grants, among others.

*Conclusion:*

Our testing of the eligibility of the 39 retirees found that individuals receiving District-sponsored health benefits after retirement were eligible for those benefits.

In addition, we determined that 42 dependents (legal spouses, qualified domestic partners, and children) were eligible and receiving District-sponsored health benefits.

### ***Contract Audit of Sandy Pringle Associates, Inc.***

[CA 25-1447](#) The OIG issued an audit of Sandy Pringle Associates, Inc. under Contract No. 44000111241 for Division of State Architect (DSA) Construction Inspection Professional Services. The audit assessed whether the billed amounts were adequately supported and allowable under the contract's terms and conditions, and whether issues identified in a prior audit - specifically, the lack of District pre-approval for overtime and charges for work performed during District shutdown periods - had been resolved. The audit also evaluated whether invoices and timesheets submitted were reviewed and approved in compliance with FSD's policies and procedures, CT-005 Standard Protocol for Validating Contract Professional Hours.

#### **Conclusion:**

- The amounts billed by Sandy Pringle were adequately supported and allowable under the Contract.
- All overtime and work performed during District shutdown periods were pre-approved by the inspector's immediate supervisor, resolving prior audit concerns related to insufficient oversight in these areas.
- FSD management reviewed and approved Sandy Pringle's invoices and timesheets according to District policies and procedures.

### ***Contract Audit of HeyTutor, Inc.***

[CA 24-1449](#) The OIG issued an audit of HeyTutor, Inc. under Contract No. 4400010491 for tutoring services. This audit was performed by one of our bench firms, Baker Tilly. The objectives of this audit were to determine whether (i) District staff complied with District policies and procedures in the execution of the contract, (ii) the amounts billed for the 13 invoices paid as of October 2023 were allowable, reasonable, and adequately supported in accordance with the terms and conditions of the contract, and (iii) HeyTutor performed or delivered the required services as stipulated in the contract.

#### **Findings:**

- HeyTutor did not provide evidence of background checks and Tuberculosis (TB) screenings for 13 of 25 (52%) tutors selected for detailed testing.
- HeyTutor did not provide Fingerprint and Criminal Background Check Certification forms or a list of the Contractor's employees who may have contact with pupils to the District's Risk Finance and Insurance Services, as required.
- Neither the schools nor the Division of Instruction (DOI) ensured that HeyTutor submitted the Fingerprint and Criminal Background Check Certification forms, with the tutor's names, to Risk Finance and Insurance Services, which is required by District policy.

- Schools did not utilize the SAP Shopping Cart System or written order forms to place orders for tutoring services during the 2022/2023 school year.

Baker Tilly tested 13 invoices and determined the following:

- Four of 13 invoices included tutors with “N/A,” “TBD,” or no school site identified. Billing attributable to these instances totaled 841.12 hours (\$37,850).
- Two of 13 invoices included a school that was not an LAUSD school (Benjamin Franklin Elementary School). HeyTutor billed the District a total of 114.89 hours (\$5,171).
- Three of 13 invoices included services HeyTutor performed before the work authorization's timestamp. Although HeyTutor was issued a purchase order before tutorial services were rendered, work authorizations specific to school sites were frequently sent to the District after services were performed at a particular school. After the District's Tutorial Services department noted issues with work orders and communicated these issues to HeyTutor, the District authorized payment in full for services done before creating a work order. The DOI confirmed during the audit that this practice will cease in the 2024/2025 school year.
- 105 tutors attended training that exceeded the three-hour limit permitted by the contract. The additional training hours billed to the District totaled 437.51 (\$19,688).

As of June 17, 2024, the OIG could not obtain all requested documentation from HeyTutor and the District, which limited the ability to assess compliance with specific terms of the contract.

#### Recommendations:

Baker Tilly made seven recommendations to enhance controls and improve the processes for invoice review, compliance with District requirements, and monitoring and evaluation of Contract compliance.

Recommendation No. 1 - The District recently provided the schools with written guidelines for tutoring services (“Implementation of District-Funded Tutoring Services Reference Guide”); however, this was not in place during our audit period under review. We recommend that the District widely communicate and perform training on these guidelines to all schools involved in tutoring services to help ensure process consistency across tutoring service vendors/schools, enforce District compliance, and assist with understanding the District's requirements.

Recommendation No. 2 - The District should ensure that the appropriate approvals and documentation are completed before allowing a vendor to deliver and bill for services.

Recommendation No. 3 - The District should develop a formalized process to verify the accuracy of the services performed and the amounts being billed in compliance with the contract terms. A formalized process could include performing a detailed review of the underlying support to

ensure the accuracy of tutoring service hours, delivery to appropriate schools, tutor training hours, etc., and investigating any questions or variances with HeyTutor.

Recommendation No. 4 - The District should work with HeyTutor to recover \$62,709 for unsupported costs invoiced.

Recommendation No. 5 - The District and HeyTutor should ensure the appropriate documentation (e.g., training, supervision, evaluation, background checks) is completed and maintained by HeyTutor.

Recommendation No. 6 - The Procurement Services Division (PSD) should educate and emphasize to all contracting entities who may come into contact with students that the company must submit the Fingerprint and Criminal Background Check Certification forms and provide a list of the names of the Contractor's employees who may have contact with pupils to the District Risk Finance and Insurance Services before the employee has contact with students. Ensure the contracting entity is aware that the list shall be updated for employee changes and shall list employees by appropriate school site, if applicable. Ensure that all LAUSD departments that sponsor contracts that may have contact with pupils, such as the DOI, Beyond the Bell, HeyTutor, Inc., and Facilities Services Division, are fully aware of these terms and conditions.

Recommendation No. 7 - As the sponsor of several tutorial services contracts, the DOI must increase monitoring activities of the Fingerprint and Criminal Background Check Certification forms for all contracting entities that may come into contact with students by assigning responsibility to one of its departments.

*District's Response:*

The District agreed with the seven recommendations.

*HeyTutor's Response:*

HeyTutor agreed with one recommendation (No. 1) and partially agreed with three recommendations (Nos. 3, 4, and 5)

*Implementation Status of Recommendations:*

Implemented

***Contract Audit of California Certified Construction and Electrical, Inc.***

**CA 25-1445** The OIG audited California Certified Construction and Electrical, Inc. (CCCE) under Contract No. 4400010524 for the Graham Elementary School Americans with Disabilities Act (ADA) Barrier Removal Project. The project's scope of work included modifying nine restrooms,

correcting nine major path of travel slopes, installing four drinking fountains, installing classroom doors and hardware and thresholds, modifying the sinks and cabinets in the STEM classroom and Nurse's office, adding a lift and two front rows of assembly seating at the Auditorium, and modifying the cafeteria service counter area to comply with ADA. The contract had an original amount of \$2,389,000. During construction, the District issued 39 change orders totaling \$493,749 to CCCE, increasing the contract value by 20.7% to \$2,882,749.

Conclusion:

- CCCE invoiced \$2,882,749 as of August 13, 2024, representing 100% of the revised contract amount. All invoiced costs were determined to be allowable, properly supported, and based on the percentage of construction work completed as listed in the Schedule of Values (SOV).
- The District issued 39 change orders with a combined value of \$493,749, increasing the contract value by 20.7%. Our review of a sample of 24 change orders (totaling \$402,724 or 82% of total change order value) found that the change orders were awarded according to FSD's policies and procedures.
- CCCE completed the scope of work according to the terms and conditions of the contract. Completion was confirmed through the Certificate of Substantial Completion, the Notice of Contract Completion & Acceptance, and a site walkthrough.
- Based on our review, we concluded that the change orders were executed according to FSD's policies and procedures.

***Change Order Audit of Hensel Phelps Construction Co.***

**CA 25-1446** The OIG issued an audit of Hensel Phelps Construction Co. for Change Order (CO) No. T-652 issued under Design-Build Contract No. 4400009012 for the comprehensive modernization of Reseda Charter High School. On March 6, 2024, FSD executed CO No. T-652, in the amount of \$1,293,686, for Hensel Phelps to provide theatrical modifications to the multi-purpose room of the Performing Arts building. These revisions were to enhance operational safety and functionality for both students and staff. The changes included the addition of equipment and electrical runs from the control room to the stage area, and enabling the automation of stage lighting and scenery operations. The upgrade also allows students to safely adjust lighting and scenery remotely from the control room, eliminating the need to manually access these elements via catwalks, ladders, or scissor lifts. The objectives of our examination were to determine whether:

- The change order amount was adequately supported, fair, and reasonable.
- The change order was executed according to FSD's Change Order Procedures.
- The scope of work was completed.



### Conclusion:

In our opinion, the change order amount was adequately supported, fair, and reasonable in all material respects, and the change order process complied with the FSD Change Order Procedures – Legacy, 14.16.1 (Change Order Procedures). The scope of work was estimated to be 90% completed.

### **Contract Audit of PCN3, Inc.**

[CA 24-1439](#): The OIG issued an audit of PCN3, Inc. under Contract No. 44000099991 for the seismic retrofit of the Benjamin Franklin High School auditorium. The contract was originally awarded for \$6,090,000 and change orders totaling \$2,646,174 increased the total contract value to \$8,736,174 as of February 29, 2024. Our audit included an evaluation of PCN3's invoice amounts and change order process.

### Conclusion:

- As of February 29, 2024, the total amount invoiced by PCN3 was allowable and supported based on the percentage of completed construction work as outlined in the Contract's Schedule of Values (SOV).
  - As of February 29, 2024, the District issued 259 change orders with a combined value of \$2,646,174 under the Contract, increasing the contract value by 43% to \$8,736,174. The scope of work of these change orders included replacing damaged materials and fixtures and other significant renovations requested by the end user. Our review of a sample of 30 change orders (which totaled \$1,068,464 and amounting to about 40% of the total value of the 259 change orders) found that the change orders were reasonable, were properly authorized by FSD PEX staff, and that the documentation for the change orders complied with District policies and procedures.
  - PCN3 completed the contracted scope of work in compliance with the terms and conditions of the Contract for the audit period, as determined by the project architect's sign-off of five of seven punch list reports, validating that most of the outstanding work was satisfactorily completed.
  - The payment and performance bond cost charged by PCN3 on change orders executed from Contract inception through August 15, 2024, exceeded its actual bond cost by \$23,936. As a result of our audit, PEX executed a credit change order, Change Order No. T-871, in that amount to correct the overcharged bond costs.

### Recommendation:

1. We recommended FSD issue a credit change order in the amount of \$23,936.14 to recover the overcharged amount.

### District's Response:



The District agreed with the recommendation.

PCN3's Response:

PCN3 agreed with the recommendation.

Implementation Status of Recommendations:

Implemented

***Performance Audit of the Procurement Services Division's Design-Build Policies and Procedures***

**OA 24-1440** The OIG issued an audit of the District's PSD's Design-Build procurement process for three Design-Build construction contracts for three different construction projects:

- Young Empowered Scholars (YES) Academy at Hyde Park Elementary, awarded to AMG & Associates, Inc. (AMG)
- John H. Francis Polytechnic High School, awarded to Bernards Bros. Inc.
- Ulysses S. Grant High School, awarded to Pinner Construction Co., Inc.

The objective of the audit was to determine whether the procurement processes for three Design-Build construction contracts/projects were generally in accordance with the District's policies and procedures, and the California Education Code.

The OIG found that the procurement process for the three Design-Build construction contracts/projects was generally in accordance with the District's policies and procedures and state law. The OIG also determined that opportunities exist for PSD to enhance the Design-Build procurement process, especially in the areas of surety bonding and in the adherence of Workshop requirements.

Finding:

For the Ulysses S. Grant High School project, awarded to Pinner, PSD allowed the contractor to split the payment and performance bond payments based on construction phases instead of providing bonds covering 100% of the contract value as stated in the General Conditions of the contract.

Observations:

- There was no evidence to support that the Interim Chief Procurement Officer or their designee (Procurement Officer) facilitated the workshop for Grant High School's Comprehensive Modernization project (Pinner) as required by the District's Policy.

- Signed No-Conflict Non-Disclosure forms for Selection and Technical Committee members for the John H. Francis Polytechnic High School project, awarded to Bernards Bros., were not available for review.
- The Workshop and final presentation sign-in sheets for the YES Academy at Hyde Park Elementary project, awarded to AMG, were not available for review.
- The OIG found no exceptions in the following areas:
  - Contractor statements of qualification demonstrated sufficient experience and capability to complete the project.
  - Required contractor credentials were on file.
  - Competitive proposals were evaluated based on the requirements of the Request for Proposal (RFP).
  - Non-priced proposals were received before the priced proposals.
  - Proposer's prices had a detailed breakdown.
  - Proposers provided a fee breakdown for the design portion of the work.

#### Recommendations:

Recommendation No. 1: We recommended that the District prohibit bonding by construction phase and include language in the District's policies that is consistent with the General Conditions contract language that "Design-Builder shall deliver to the District and District's Authorized Representative a good and sufficient labor and material payment bond ("Payment Bond") and a good and sufficient performance bond ("Performance Bond"), each in the amount of one hundred percent (100%) of the [Contract Price or difference of the Contract Price less the Design Fee]," and prohibit bonding by construction phase.

Recommendation No. 2: We recommended that the Chief Procurement Officer revise the Design-Build Policies and Procedures to indicate who (other than the CPO) will facilitate Workshops.

#### District's Response:

The District agreed with the recommendations.

#### Implementation Status of Recommendations:

Implemented

#### ***Contract Audit of Clark Construction Group - California, LP***

**CA 24-1438:** The OIG issued an audit of Clark Construction Group – California, LP under Contract No. 44000091601 to construct new buildings and modernize existing facilities at North Hollywood High School.

Findings:

For the performance period from March 1, 2021, through September 30, 2023, Clark submitted, and the District paid Clark 32 invoices totaling \$128,258,130 for the percentage of completed construction work as outlined in the Contract’s Schedule of Values (SOV).

- The total amount billed to date was properly authorized and adequately supported in all material respects. Clark overbilled for bond costs by \$24,116 because they used a bond rate of .97% instead of the actual bond rate of .824% for change orders under the Contract. Clark concurred with this finding and issued a credit change order for the overbilled amount.
- Clark billed \$11,436 for disallowed costs (overhead, markups, bonds, sales tax, and gross receipts tax) as allowance disbursements. Clark concurred with this finding and issued a credit change order for the questioned amount.
- A total of 680 change orders totaling \$11,629,794 were initiated and authorized for the audit period. Our testing of 31 sampled change orders found that FSD complied with Change Order Procedures 14.166 in executing the change orders.
- Clark completed the required scope of work for Phase One. However, the occupancy dates were extended multiple times due to delays. Although the District approved the revised timeline, actual occupancy of Gymnasium Building G and Classroom Building C was further delayed beyond the authorized dates by 18 and 62 days, respectively.

Recommendations:

Recommendation No. 1 - Clark should refund the District \$24,116 for the overbilled bond costs. Clark implemented this recommendation by issuing a credit change order for the overbilled amount, and the finding is closed.

Recommendation No. 2 - Clark should use the actual bond rate of .824% to determine the actual bond costs for change orders executed under this Contract. Clark is implementing this recommendation for all change orders initiated and authorized subsequent to our fieldwork, and we determined that this finding is closed.

Recommendation No. 3 – Clark should refund the District \$11,436 in disallowed costs invoiced for disbursements against the construction allowance. Clark implemented this recommendation by issuing a credit change order for the overbilled allowance disbursements, and the finding is closed.

Recommendation No. 4 – Clark should comply with the Contract’s general conditions and allowance provisions to ensure that the amounts invoiced as allowance disbursements are for actual costs incurred and exclude disallowed and/or duplicated costs such as overhead and markups. Clark did not take exception to the recommendation and stated that they would continue reviewing disbursement requests to comply with contract provisions.

Recommendation No. 5 – The OAR and project team should thoroughly examine the proposed costs for allowance disbursements before granting approval to ensure that the claimed amounts comply with the relevant contract provisions. PSD stated that the OAR would review change orders to ensure appropriate costs are allowed and that they align with the work being performed.

Recommendation No. 6 – To avoid the delays and time extensions experienced in Phase One, we recommend that FSD and Clark perform a time impact assessment and establish a realistic timeline for completing the remaining scope of work in Phase Two. Clark stated that they are working with FSD to identify turnover dates in Phase Two and meet regularly with FSD to discuss a realistic project completion timeline. PSD stated that FSD would work with Clark to perform a time impact assessment and regularly update the project schedule.

*District’s Response:*

The District agreed with two recommendations (Nos. 5 and 6).

*Clark’s Response:*

Clark agreed with five recommendations (Nos. 1, 2, 3, 4, and 6).

*Implementation Status of Recommendations:*

Implemented

***Contract Audit of Mainline Information Systems, Inc.***

[CA 24-1436](#) The OIG issued an audit of Contract No. 4400007798 (Contract) awarded to Mainline Information Systems, Inc. (Mainline) to provide the District with data center supplies, equipment, and related services. The audit’s objectives were to determine whether (1) the amounts billed reflected the discounts stipulated by the Contract, (2) Mainline provided the products and services to the District, and (3) Mainline paid the District the required volume rebates. Overall, Mainline complied with the contract terms and conditions. The specific conclusions and recommendations from our audit are provided below.

As of September 30, 2023, the total amount invoiced by Mainline was allowable and reflected the discounts stipulated by the Contract, except for an overbilling of \$2,162.58 in sales tax for non-taxable software subscriptions.

Findings:

- Mainline provided the products and services to the District.
- Mainline paid the required volume rebates for the audit period. Nevertheless, not all payments were remitted on time, and Mainline owed the District late payment interest totaling \$2,982.51.
- The following observations were noted during our examination:
  - Mainline did not provide the District with updated manufacturers' price lists but provided a rationale during the bid process that the District accepted.
  - Some freight documents and/or packing slips provided by manufacturers/distributors were either missing or excluded pertinent information, such as the District's purchase order (PO) numbers, and/or the quantities and descriptions of the delivered products.
  - Mainline agreed with the questioned costs and refunded the District for the \$2,162.58 overbilled sales tax and \$2,982.51 late payment interest.

Recommendations:

Recommendation No. 1 – The OIG recommended that Mainline refund the District \$2,162.58 for overbilling of sales tax.

Recommendation No. 2 – Mainline should provide the District with the manufacturer's list price printouts with all submitted quotes or provide sufficient documentation/information that would allow Information Technology Services (ITS) to validate the manufacturer's cost for the products included in the quotes. Mainline agreed with our recommendation and stated they would use their best efforts to provide screenshots of Original Equipment Manufacturing (OEM) list pricing and/or a link to an OEM price list along with Mainline proposals when publicly available.

Recommendation No. 3 – ITS should add a control procedure to verify the manufacturers' list prices and discount rates when reviewing quotes from Mainline. ITS agreed with our recommendation and stated the target date for implementation will begin upon the conclusion of the audit.

Recommendation No. 4 – Mainline/manufacturers should ensure that freight documents and packing slips are included for all deliveries. Mainline stated that they cannot guarantee compliance with this provision by third parties. However, they will reiterate these requirements

to all distributors/manufacturers who fulfill orders for Mainline under this contract and routinely check in on performance going forward.

Recommendation No. 5 – Mainline should refund the District \$2,982.51 for interest assessed for late payments.

District's Response:

The District agreed with two recommendations (Nos. 1 and 3).

Mainline's Response:

Mainline agreed with four recommendations (Nos. 1, 2, 4, and 5).

Implementation Status of Recommendations:

Implemented

**Contract Audit of Consolidated Electrical Distributors dba All-Phase Electric Supply**

[CA 24-1437](#) The OIG issued an audit of Contract No. 4400008233 awarded to Consolidated Electrical Distributors dba All-Phase Electric Supply (All-Phase) to procure electrical supplies and other electrical-related products.

Findings:

Billings compliance: For the audit period from April 1, 2020, through November 14, 2023, All-Phase accurately billed the District in accordance with the stipulated discount rates per the Contract's Rate Schedule for most of the products tested; however, there were discrepancies in the discount rates for some of the billed products, which resulted in over billings by \$16,244 on 76 invoices. All-Phase also billed the District for disallowed freight costs totaling \$1,987 on nine invoices. The total questioned costs amounted to \$18,231 (\$16,244 + \$1,987).

Delivery compliance: Based on our testing of 40 sampled invoices, All-Phase delivered the billed products to the specified District's Maintenance and Operations (M&O) Area locations as designated on the approved purchase orders.

Volume rebates compliance: All-Phase owed \$31,785 in volume rebates for the audit period and issued four rebate payments totaling \$26,699, resulting in an unpaid balance of \$5,086. Moreover, three out of four payments were not remitted within 30 days of the end of each calendar quarter for purchases shipped and billed during such calendar quarter. Therefore, we assessed interest totaling \$1,969 on the unpaid balance and delayed rebate payments for a total of \$7,055 (\$5,086 + \$1,969) due to the District as of June 30, 2024.

Recommendations:

Recommendation No. 1 - All-Phase should refund the District \$18,231 for the overbilled unit prices and disallowed freight charges. On July 30, 2024, All-Phase issued a check and refunded the District for the overbilled unit prices and disallowed freight charges. The District's Procurement Services Division confirmed receipt of the check on August 8, 2024.

Recommendation No. 2 - All-Phase should implement controls and review processes to ensure billing accuracy by (a) applying the correct discount rates specified in the authorized Rate Schedule and (b) excluding any charges not allowed under the contract provisions.

Recommendation No. 3 - The District should add a control procedure to validate the quoted discount rates, unit prices, and any additional charges against the Contract's Rate Schedule and applicable contract provisions before issuing purchase orders and approving invoices for payment.

Recommendation No. 4 – All-Phase should refund the District \$7,055 for the unpaid volume rebates and assessed interest. On July 30, 2024, All-Phase issued a check for the unpaid volume rebate balance and assessed interest. The District's Procurement Services Division confirmed receipt of the check on August 8, 2024.

Recommendation No. 5 - All-Phase should establish a system, such as an automated payment reminder, to ensure all volume rebates are paid by the specified deadlines to avoid incurring interest charges.

District's Response:

The District agreed with two recommendations (Nos. 2 and 3).

All-Phase's Response:

All-Phase agreed with four recommendations (Nos. 1, 2, 4, and 5).

Implementation Status of Recommendations:

Implemented

**Contract Audit of Kemp Bros. Construction, Inc.**

[CA 23-1431](#) The OIG issued an audit of Contract No. 4400005814 awarded to Kemp Bros. Construction, Inc. (KBCI/Contractor) for the design and construction of the Grover Cleveland Charter High School Comprehensive Modernization Project (Project).

Findings:



The billed amounts were adequately supported, allowable, and in accordance with the terms and conditions of the Contract, except for the following:

- Part of the work under Change Order No. T-501 was not completed as required, and the value of that work was \$13,721. The purpose of this change order was to convert two temporary classrooms into chemistry labs for the high school to utilize during the Comprehensive Modernization. We confirmed through interviews with school staff that no interim chemistry labs were made available during the construction project.
- Bond costs included in change orders were overbilled by \$58,516.
- An unallowable markup of \$1,074 was included in Allowance Disbursement.
- Contract change orders were justifiable, properly approved, and adequately documented.

Excluding the findings noted above, we found that the contract scope of work was completed in compliance with the terms and conditions of the Contract.

Recommendations:

1. We recommended PSD seek a refund for the value of the work not completed - \$13,721.
2. We recommended that PSD issue an additional permanent withholding of \$58,516 for the overbilled bond cost.
3. We recommended FSD seek a refund for the unallowable markup of \$1,074 included in allowance disbursement.

District's Response:

The District agreed with the recommendation.

KBCI's Response:

KBCI agreed with the recommendations.

Implementation Status of Recommendations:

Implemented - Nos. 1 and 3

In Progress - No. 2

**Contract Audit of Pinner Construction Co., Inc.**

[CA 24-1432](#) The OIG issued an audit of Design-Build Contract No. 4400007495 awarded to Pinner Construction Co., Inc. for the Ulysses S. Grant High School Comprehensive Modernization Project. The original budget for the project was an all-inclusive price of \$144,624,722. From contract inception through September 30, 2023, the District issued 86 change orders totaling

\$5,137,938, increasing the contract value to \$149,722,660. The increase represented a 3.6% change from the original contract amount.

Findings:

- Pinner was compliant with the terms of the contract in all material respects.
- Pinner completed the contracted scope of work.
- Change orders were executed according to FSD's change order policies and procedures.
- Through the change order review process, FSD achieved a total cost reduction of \$1,038,827, representing a 16% reduction from the total proposed amounts. The average cost reduction was 19% for the 79 positive change orders.
- Pinner overbilled the District \$11,697 for the Pay and Performance Bonds in the project's change orders.
- Pinner did not meet its milestone dates for beneficial occupancy and substantial completion.

Recommendations:

Recommendation No. 1 - Pinner should credit and the District should seek a credit for the overcharged bond costs.

Recommendation No. 2 - At the project's conclusion, FSD should perform an analysis of the causes and impacts for the delays and, if applicable, determine the appropriate amount of liquidated damages to be assessed.

District's Response:

The District agreed with recommendation No. 1 and did not respond to recommendation No. 2.

Pinner's Response:

Pinner agreed with recommendation No. 1 and did not respond to recommendation No. 2.

Implementation Status of Recommendations:

Implemented

***Change Order Audit of Pinner Construction Co., Inc.***

[CA 24-1435](#) The OIG issued an audit of Change Order No. T-596 (CO T-596) awarded under Design-Build Contract No. 4400007495 with Pinner Construction Co., Inc. for the comprehensive modernization of Ulysses S. Grant High School. On January 30, 2024, FSD executed CO T-596, in the amount of \$1,126,442, for Pinner to provide labor, materials,

equipment, and supervision to remove the existing roof and install a new Polyvinyl-Chloride (PVC) roofing for the gym. The objectives of our examination were to determine whether:

- The change order amount was adequately supported, fair, and reasonable.
- The FSD's change order policies and procedures were complied with in executing the Change Order.
- The scope of work was completed.

#### Conclusion:

In our opinion, the change order amount was adequately supported, fair, and reasonable in all material respects. The change order process complied with the FSD Change Order Procedure – Legacy, 14.16.1 (Change Order Procedures), and the scope of work was completed.

#### ***Contract Audit of Turtle ALA, LLC***

[CA 24-1434](#) The OIG issued an audit of Contract No. 44000082341 awarded to Turtle ALA, LLC (Turtle) for the procurement of electrical supplies for various District Maintenance & Operations (M&O) areas.

#### Findings:

- This contract specifies manufacturer-specific discounts from catalog prices. While most items were billed correctly, the audit found errors with products from four manufacturers. Turtle applied incorrect discounts and used new catalog prices prematurely. Additionally, M&O staff did not verify that the proper unit rates were billed when reviewing Turtle's price quotes before issuing purchase orders. The errors resulted in \$204,573 of overbilling.
- Our audit determined that the District missed \$34,098 of early payment discounts from \$87,060 in eligible discounts. This shortfall was due to an Accounts Payable (A/P) policy of not taking the discount for invoices processed within five days of the discount expiration date. Additionally, invoices totaling \$2,050,249 were not paid within the discount window, resulting in approximately \$40,000 in forgone cost savings. A/P suggested that faster turnaround times from M&O would facilitate processing invoices within the early payment discount window, enhancing cost-saving opportunities.
- The Contract required Turtle to pay a 1% volume rebate on District payments, excluding sales tax, with unpaid rebates accruing interest. The District was entitled to \$58,477 in volume rebates. Although Turtle generally complied, a rebate check for \$4,522 was lost in the mail and never received or cashed by the District.

#### Recommendations:

1. PSD should seek a refund of \$204,573 for the overbilled amount.
2. PSD should inform M&O that they should verify the quoted rates before issuing purchase orders.
3. Turtle should reissue the \$4,522 volume rebate check to the District.
4. PSD should seek a refund of \$34,098 for the missed early payment discounts.
5. PSD should inform M&O and A/P to implement the following corrective actions:
  - a. M&O should ensure their staff promptly enter the order receipt dates into Maximo and review their invoice processing procedures to guarantee timely payments and optimize early payment discount opportunities.
  - b. A/P should shorten the cushion period to minimize the chance that eligible discounts will not be taken.

#### District's Response:

The District agreed with the recommendations.

#### Turtle's Response:

Turtle agreed with three recommendations (Nos. 1, 3, and 4).

#### Implementation Status of Recommendations:

Implemented - Nos. 1, 3, and 4

In Progress - Nos. 2 and 5

#### **Contract Audit of Sinanian Development, Inc.**

[CA 24-1433](#) The OIG issued an audit of Contract No. 4400005873 awarded to Sinanian Development, Inc. (Sinanian) for the Sherman Oaks Center for Enriched Studies Comprehensive Modernization Project.

#### Findings:

- Sinanian invoiced the District based on the percentage of completed design and construction work as outlined in the Contract's Schedule of Values (SOV).
- Sinanian completed the contracted scope of work according to the terms and conditions of the Contract.
- Change orders were executed according to FSD change order policies and procedures.
- Sinanian did not achieve the milestone dates for beneficial occupancy and substantial completion. The delays were mainly attributed to supply chain issues due to COVID-19,

unforeseen conditions, design, construction and design-build directives issued by the District, and excessive rainy days.

- The District issued Change Order No. T-512 in the amount of \$20,346 for the installation of a drinking fountain accessible to the interim housing area, which was required by the District's standards. However, since the District's standards were issued before the Request For Proposals (RFP), and the Contract is a design-build contract, Sinanian should not have been compensated for performing work to comply with District standards. Sinanian invoiced the District \$882,777 of allowance disbursements. Of that total, \$11,780 was not allowable because either the cost was not incurred or the billed work was not provided.

#### Recommendations:

1. At the project's conclusion, FSD should perform an analysis of the causes and impacts of the delays and assess appropriate liquidated damages, if applicable.
2. Sinanian should provide the District with a credit of \$20,346 for the questioned change order amount.
3. Sinanian should provide the District with a credit of \$11,780 for the questioned allowance disbursements.

#### District's Response:

The District agreed with the recommendations.

#### Sinianian's Response:

Sinianian partially agreed with recommendation No. 1, disagreed with recommendation No. 2, and did not respond to recommendation No. 3.

#### Implementation Status of Recommendations:

In progress - No. 1

Implemented - Nos. 2 and 3

#### **Contract Audit of Hensel Phelps Construction Co.**

[CA 24-1429](#) The OIG issued an audit of Contract No. 4400008306 awarded to Hensel Phelps Construction Co. for the Belvedere MS Comprehensive Modernization Project.

#### Findings:

- For the period from May 21, 2020, through December 31, 2023, Hensel Phelps invoiced the District based on the percentage of completed design and construction work as outlined in the Contract’s Schedule of Values (SOV).
- For the audit period, Hensel Phelps completed the contracted scope of work according to the terms and conditions of the Contract.
- Change orders were executed according to FSD’s change order policies and procedures.
- Hensel Phelps included unallowable markup and bond cost totaling \$1,105 in one of its requests for allowance disbursement.

Hensel Phelps declined to furnish written representations at the conclusion of our audit to confirm representations made to us during the examination. The absence of these representations was a limitation of the scope of our examination.

In response to our audit finding, FSD issued a credit of \$1,105 for the questioned amount.

### **AUDITS OF CONTRACTS FOR PROFESSIONAL CONSTRUCTION AND PROJECT MANAGEMENT SERVICES**

The OIG conducted the following three audits to evaluate whether the invoices submitted by firms under contract to provide professional services were reviewed and approved in compliance with the District’s established policies and procedures, CT-005 Standard Protocol for Validating Contract Professional Hours. The purpose of these audits was to improve contractor oversight and accountability of the District’s capital improvement program.

#### ***Hill International, Inc.***

[OA 24-1443](#) This audit evaluated whether the invoices submitted by Hill International, Inc. under Contract No. 4400007487 were reviewed and approved in compliance with the District’s established policies and procedures. The contract’s original period spanned from December 1, 2019, to November 30, 2021, with an initial not-to-exceed (NTE) amount of \$5,000,000 and three one-year extension options. Since its inception, the contract was amended 12 times, resulting in a revised term that extended through November 30, 2024, and an increased NTE amount of \$7,000,000. As of April 30, 2024, the cumulative expenditures under the contract totaled \$5,492,478.

Hill provided the services of seven contract professionals (CPs) for the audit period under the contract. The staffing categories of CPs appointed to the District included the following:

- Real Estate Asset Manager
- Owner Authorized Representative (OAR I & II)
- Project Program Scheduler
- Sr. Regional Construction Scheduler
- QA/QC Electrical Technical Reviewer
- Field Supervisor
- Project Cost Estimator

Conclusion:

FSD Management reviewed and approved Hill invoices and timesheets according to the District's policies and procedures.

***Cumming Management Group, Inc.***

[OA 24-1442](#) This audit evaluated whether the invoices submitted by Cumming Management Group, Inc. (CMG) under Contract No. 4400007486 were reviewed and approved in compliance with the District's established policies and procedures. The contract's original period spanned from December 1, 2019, to November 30, 2021, with an initial NTE amount of \$5,000,000 and three one-year extension options. The contract was subsequently extended through November 30, 2024, and the NTE amount increased to \$43,300,000. As of April 30, 2024, the cumulative expenditures under the contract totaled \$37,750,552.

CMG provided the services of 36 contract professionals (CPs) under the contract for the duration of the audit period, which covered December 1, 2019, through April 30, 2024. The staffing categories of CPs appointed to the District included the following:

- AutoCAD Drafter
- Community Relations/Small Business Specialist
- Senior Design Manager – Architecture/Engineering
- Design Manager
- Design Associate
- Field Supervisor – Electrical
- Field Supervisor – Plumbing
- Junior Scheduler
- Program Lead
- Project Manager – Planning & Development
- Project Development Manager
- Project Cost Estimator
- Owner Authorized Representative (OAR I & II)
- Structural Engineer

Conclusion:



CMG invoices and timesheets were reviewed and approved by FSD management according to the District's policies and procedures.

***JG Management Consultants, Inc.***

**OA 24-1444** This audit evaluated whether the invoices submitted by JG Management Consultants, Inc. (JGMC) under Contract No. 4400007489 were reviewed and approved in compliance with the District's established policies and procedures. The contract's original period spanned from December 1, 2019, to November 30, 2021, with an initial NTE amount of \$5,000,000 and three one-year extension options. The contract was subsequently extended through November 30, 2024, and the NTE amount increased to \$22,600,000. As of June 30, 2024, the cumulative expenditures under the contract totaled \$20,512,420.

JGMC provided the services of 24 contract professionals (CPs) under the contract for the duration of the audit period, which covered December 1, 2019, through June 30, 2024. The staffing categories of CPs appointed to the District included the following:

- CEQA Assistant Project Manager
- CEQA Project Manager
- Construction Project Engineer
- Design Manager
- Low Voltage Technician
- Owner Authorized Representative (OAR I & II)
- Project Development Manager
- Regional Construction Director
- Risk Management Consultant
- Senior Construction Management Scheduling and Estimating
- Senior Design Manager
- Senior Project Manager II
- Senior Project Schedule Manager

**Conclusion:**

JGMC invoices and timesheets were properly documented and approved by FSD management.

## STATUS OF PRIOR YEAR RECOMMENDATIONS

The following table includes the status of prior year recommendations that were agreed to by the District but not yet implemented as of June 30, 2024. The FYE 2025 status reflects the status of implementation as of June 30, 2025.<sup>17</sup> Click on the report link to learn more about the audit and its recommendations.

**TABLE 10 - Prior Year Recommendations**

Report Date	Report No.	Project Name	Recommendation	FY 2024 Annual Report Status	Original Implementation Date <sup>18</sup>	FY 2025 Annual Report Status	Revised Implementation Date
9/26/2023	<a href="#">CA 23-1398</a>	Morillo Construction, Inc.	No. 1	In Progress	5/22/2025	Implemented	
		Morillo Construction, Inc.	No. 2	In Progress	8/16/2024	Implemented	6/6/2025
8/9/2023	<a href="#">CA 23-1407</a>	Pinner Construction, Inc.	No. 2	Not Started	8/9/2023	Implemented	
1/31/2024	<a href="#">CA 23-1418</a>	Thomasville Construction, Inc.	No. 1	In Progress	4/18/2024	In Progress	7/31/2025
5/28/2024	<a href="#">CA 23-1422</a>	Infosys Limited	No. 1	In Progress	7/19/2023	Implemented	
		Infosys Limited	No. 2	In Progress	7/25/2024	Implemented	
6/27/2024	<a href="#">CA 24-1430</a>	Bernards Bros, Inc.	No. 1	In Progress	12/31/2024	Implemented	
		Bernards Bros, Inc.	No. 2	In Progress		Implemented	
9/14/2023	<a href="#">OA 22-1412</a>	Utility Accounts	No. 1	In Progress	2/28/2024	In Progress	
		Utility Accounts	No. 2	In Progress	12/20/2023	In Progress	
		Utility Accounts	No. 3	In Progress	12/20/2023	In Progress	
		Utility Accounts	No. 4	In Progress	2/28/2024	In Progress	
		Utility Accounts	No. 5	In Progress	2/28/2024	In Progress	
		Utility Accounts	No. 6	In Progress	2/28/2024	In Progress	
		Utility Accounts	No. 7	In Progress	2/28/2024	In Progress	

<sup>17</sup> The status of implementation is provided to the OIG by District management. Due to limited resources, the OIG verifies the implementation of recommendations only during the course of a follow-up audit.

<sup>18</sup> Implementation dates were not available for all of the recommendations listed. In these cases, the field is blank.

Report Date	Report No.	Project Name	Recommendation	FY 2024 Annual Report Status	Original Implementation Date <sup>18</sup>	FY 2025 Annual Report Status	Revised Implementation Date
10/31/2023	<u>OA 23-1408</u>	Maintenance and Operations (M&O) Service Requests	No. 4	In Progress	7/1/2024	In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 5	In Progress	7/1/2024	In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 1	In Progress		In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 3	In Progress	1/31/2024	In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 11	In Progress	7/1/2024	In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 12	In Progress	7/1/2024	In Progress	
		Maintenance and Operations (M&O) Service Requests	No. 10	In Progress		In Progress	
10/18/2023	<u>OA 24-1413</u>	My Integrated Student Information System (MiSiS)	No. A-3	In Progress	12/31/2023	In Progress	8/11/2025
		My Integrated Student Information System (MiSiS)	No. A-7	In Progress	12/31/2023	Implemented	
		My Integrated Student Information System (MiSiS)	No. C-1	In Progress		In Progress	

## APPENDIX 4

### DISTRIBUTION LIST



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Bond Oversight Committee  
Executive Officer of the Board  
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## OIG HOTLINE

### *Office of the Inspector General "Independent and Objective Oversight"*

**REPORT FRAUD, WASTE, AND ABUSE**



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- ☐ Anyone can make a report
- ☐ You may remain anonymous

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