



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

**Audit Report of Pacific Services, Inc.
Contract No. 4400003203**

CA 20-1248

June 15, 2020



Los Angeles Unified School District
Office of the Inspector General

Dr. Richard Vladovic, Ed.D., President
Jackie Goldberg
Dr. George J. McKenna III
Monica Garcia
Scott M. Schmerelson
Nick Melvoin
Kelly Gonez
Members of the Board

Austin Beutner
Superintendent of Schools

William Stern
Inspector General

June 15, 2020

Ms. Judith Reece, Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: Audit of Pacifica Services, Inc.
Contract No. 4400003203

Dear Ms. Reece:

This is the report on our audit of Contract No. 4400003203 awarded to Pacifica Services Division, Inc. for providing staff augmentation services in the areas of project management, design management, construction management and related services.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG, CGMA
Deputy Inspector General, Audits

William Stern

William Stern, MBA, CIG, CISM, CPP, CFE
Inspector General

cc: Cheri Thomas

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Independent Auditor's Report

We have examined the amounts billed by Pacifica Services, Inc. (Pacifica) under contract number 4400003203 (Contract) for the period from April 1, 2015 through March 31, 2019, and Pacifica's compliance with certain terms of the Contract. Pacifica's management is responsible for the amounts billed and for complying with the terms and conditions of the Contract. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting Pacifica's compliance with the contract requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Pacifica's compliance with the specified requirements.

Our examination found that Pacifica did not retain supporting documentation detailing the verification of stated education and reference checks for contract professionals (CPs). This non-compliance issue is further described in this report as finding 1. Also, CPs did not complete Occupational Safety and Health Administration (OSHA) training on a timely basis as per the Contract. This non-compliance issue is further described in this report as finding 2.

In our opinion, except for the non-compliance with findings 1 and 2 mentioned above, the amounts billed by Pacifica under the Contract were adequately supported and allowable in accordance with the Contract terms and conditions, and Pacifica complied with the specified requirements of the Contract, from April 1, 2015 through March 31, 2019, in all material respects.

Austin E. Onwualu

Austin Onwualu, CPA, CGMA, CIG
Deputy Inspector General, Audits

November 14, 2019



**Audit of Pacifica Services, Inc.
Contract No. 4400003203**

Introduction

The Office of the Inspector General (OIG) audited Contract Number 4400003203 (Contract) awarded by the Los Angeles Unified School District (District) to Pacifica Services, Inc. (Pacifica) to provide staff augmentation services in the areas of project management, design management, construction management and related services. The Contract specified fully burdened hourly rates for various job positions. The Contract term is from December 19, 2014 through November 30, 2019.

Scope and Objectives

During the period from April 1, 2015 through March 31, 2019, Pacifica submitted 48 invoices and was paid a total \$5,610,607 for staff augmentation services provided under the Contract. The objectives of this audit were to determine whether:

- (i) the amounts billed by Pacifica were adequately supported and allowable in accordance with the terms and conditions of the contract; and
- (ii) Pacifica was in compliance with the contract terms and conditions.

Methodology

We interviewed Procurement Service Division personnel and Pacifica staff, reviewed District timesheets, invoices, subcontracting firms (subs) invoices billed to Pacifica, agreements between Pacifica and subs, payroll records, District payment records, staff criminal history clearance records, qualifications and OSHA training records.

Results of Audit

1. Determine Whether Amounts Billed by Pacifica Were Adequately Supported and Allowable In Accordance With The Terms And Conditions Of The Contract

To determine whether the amounts billed by Pacifica were adequately supported and allowable in accordance with the terms and conditions of the Contract, we statistically selected a testing sample of 12 out of the 48, or 25%, invoices billed by Pacifica. In compliance with the Contract, we were provided the supporting documentation for the 12 invoices selected for testing. The following procedures were performed:

- Compared the District timesheets to vendor timesheets and payroll records for any possible variances in the number of hours billed.



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- Compared the billed positions to the contract authorized positions and the hourly rates billed to the respective contract authorized fully-burdened rates.
- Reviewed invoices and ensure any overtime were paid at the regular fully-burdened hourly rates.
- Reviewed timesheets and ensure there were prior written approvals for any hours billed during District's holidays and shutdown period, and any hours billed in excess of the maximum 40 hours per week and 8 hours per day allowed.
- Reviewed the hourly rates Pacifica paid to the subs for the staff provided and ensure any markup is within the 10% allowed range.
- Reviewed the agreements between Pacifica and the subs and ensure only a first-tier sub was utilized.
- Reviewed payroll records and ensure the paid CPs were direct employees of Pacifica or subs and not independent contractors.

Based on the test work performed, we determined that the amounts billed were adequately supported and allowable in accordance with the terms and conditions of the Contract.

2. Determine Whether Pacifica Was In Compliance With The Contract Terms And Conditions

A) Contract Professionals' Qualifications

Finding No. 1 – Pacifica Did Not Provide Supporting Documentation Verifying CPs' Stated Education and Reference Checks

During the period from April 1, 2015 through March 31, 2019, Pacifica had provided 14 CPs to perform work at the District serving 11 different positions. We utilized statistical sampling and selected 7 CP personnel files for testing. Of the 7 CP personnel files selected, 5 CPs were hired and assigned to the District during the Contract period, and 2 CPs had been working at the District as CPs through previous contracts and subsequently transferred to this Contract when said contracts had expired.

The Contract requires Pacifica and its subs to conduct due diligence on all candidates prior to interview by the District. Pacifica is required to certify that the facts in the submitted resumes are true, the candidates meet the position requirements, and the candidates have received positive references. The Contract also required Pacifica to maintain a complete file for each CP and to present these files to the District when requested.

Pacifica provided the required certification and CP resumes for our review. We compared the stated education and work experiences to the Contract requirements. Based on test work



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performed, no exceptions were noted. However, Pacifica did not retain the records of the verifications performed.

Pacifica explained that the Contract did not require it to maintain the documentation for reference checks and verification of education, and the only requirement was the certification of due diligence performed. Furthermore, they explained that if the CP was a sub's employee, all copies of certifications and licenses would be housed with the sub at their discretion.

Recommendations

The prime firm (Pacifica) and the subcontracting firms should each maintain the records of the verification performed of the CPs' stated education and reference checks.

B) OSHA Certification

Finding No. 2 – CPs Did Not Complete OSHA Training On A Timely Basis.

The contract stipulates that all CPs who will/may access jobsites must have completed a 10 hour OSHA training within 30 days of the date of hire by the District and Pacifica is responsible for reviewing, managing and retaining copies of the OSHA certifications.

Per our examination of personnel files of those 5 CPs hired and assigned to the District during the contract period we found 2 CPs had completed their training late (43 and 117 days after their original start date). Both CPs were employees of subcontractors. CPs not completing the required training on time could possibly lead to accidents at jobsites due to lack of training.

Recommendations

Review and maintain supporting documentation verifying the OSHA training certificate was obtained by the CP within 30 days of the date of hire.

C) Obtained Criminal Clearance for CPs

To ensure that Pacifica complied with the Contract requirements related to obtaining criminal history clearances for the CPs performing work on-site at District schools, we reviewed CP personnel files substantiating the requisite clearance had been obtained.

For the 7 CP personnel files we selected for examination, we reviewed the fingerprinting clearance documentation and the "Fingerprinting Certification by Firm" form (Contract, Exhibit I), thereby



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verifying that the fingerprinting and criminal background investigation requirements were met. Based on the test work performed, no exceptions were noted.

D) CPs Submitted The Contract Required Forms

The Contract requires CPs to submit a signed “Policy Compliance Form” (Contract, Exhibit H), on or before the CP’s assignment start date with the District, as well as to submit Form 700 “Statement of Economic Interest” annually. For the 7 CP personnel files we selected for testing, we reviewed the signed Policy Compliance Forms and the annually submitted Form 700 Statement of Economic Interest. Based on the test work performed, no exceptions were noted.

We issued a draft report on February 2, 2020 which was sent to Pacific and the District’s Procurement Services Division with a request to respond within 30 days. However, as of the date of this report we have not received any written response from Pacifica or PSD. We are therefore issuing the final report without the respective responses.

Audit Team

This audit was performed by the following auditors:

Mindy Qu, Audit Manager
Noe Zurita, Principal Auditor
Ken Tsai, Senior Auditor

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Maybe you are a school district employee, a parent or just a concerned citizen. Regardless, you can make a difference!

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Whistleblower Protection

The Board approved the Whistleblower Protection Policy on February 12, 2002. This policy protects LAUSD employees who make allegations of improper governmental activity from retaliation or reprisal. To assure the reporting of any activity that threatens the efficient administration of the LAUSD, reports that disclose improper governmental activities shall be kept confidential.

General Contact Information

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