



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

**Audit Report of ENGIE Services U.S., Inc.
Contract No. 1510056/4400003882
Change Order No. T-501**

CA 21-1268

February 16, 2021



Los Angeles Unified School District Office of the Inspector General

Kelly Gonez, President
Dr. George J. McKenna III
Mónica García
Scott M. Schmerelson
Nick Melvoin
Jackie Goldberg
Tanya Ortiz Franklin
Members of the Board

Austin Beutner
Superintendent of Schools

William Stern
Inspector General

February 16, 2021

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

RE: ENGIE Services U.S., Inc.
Contract No. 1510056/4400003882

Dear Ms. Reece:

This is the final report on our audit of ENGIE Services U.S., Inc. related to contract no. 150056/4400003882. 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

c: Richard Lui
Cheri Thomas



Audit of ENGIE Services U.S., Inc. Contract No. 1510056/4400003882

Introduction

The Office of the Inspector General (OIG) audited Change Order No. T-501 of Contract No. 1510056/4400003882 (Contract) awarded by the Los Angeles Unified School District (District) to ENGIE Services U.S., Inc. (ENGIE) to provide engineering, design, construction management, installation, operation and repair of Energy Conservation Measures (ECM) identified by the District for Audubon Middle School.

On October 29, 2018, the lump sum change order T-501 for \$731,389 was approved in compliance with DSA requirements for the Emergency lighting system. The cost increase in the scope of work was to be funded by the California Energy Commission as part of an Energy Expenditure Plan amendment. No additional bond funds or general funds will be required to cover the cost of this change order.

Scope and Objectives

The objectives of the audit were to determine whether: (i) the change order amount was adequately supported; and (ii) the change order process complies with the Facilities Services Division's (FSD) Change Order Procedure.

Methodology

To accomplish our examination objectives, we (i) interviewed District personnel to obtain an understanding of the scope of work of the change order, the change order proposal review process, and other matters relevant to this examination, (ii) discussed with District and ENGIE's personnel to understand the breakdown of the cost proposal, (iii) reviewed the breakdown of the proposal cost, supporting documents of a sample of proposed cost, fair cost estimate and determined if those costs were adequately supported, and (iv) obtained understanding of District's Change Order Procedure, reviewed the documents included in the change order package and determined that the change order process complied with FSD's Change Order Procedure.

Results of Audit

I. Determination of whether the change order amount is adequately supported

ENGIE's final proposal to the District was in the amount of \$841,079 and the final negotiated amount was \$731,389. We reviewed the breakdown of the proposed amount and final negotiated amount and found that the proposed cost items and markup are allowable per Contract General condition. We traced the subcontractor's proposal to ENGIE's proposal, traced the subcontractor's invoices to the payments received from ENGIE. Reviewed the overhead and tax rate used by ENGIE. We selected a sample of the subcontractor's proposed cost for testing; compared the



**Audit of ENGIE Services U.S., Inc.
Contract No. 1510056/4400003882**

subcontractors labor rates with union labor rates. Per the OAR the required scope of work was completed.

We reviewed the details of the fair cost estimate prepared by the FSD cost estimator and compared the fair cost estimate with ENGIE's proposal and final negotiated amount and determined that the change order amount was fair and reasonable.

Based on our testing, we determined that the change order amount was adequately supported, fair and reasonable.

II. Determination of whether the change order process complied with the Facilities Services Division's Change Order Procedure.

We reviewed FSD's Change Order Procedure (Procedure), the change order package, interviewed the Owner's Authorized Representative and other District personnel, and found that the change order was approved by authorized personnel. The District's fair cost estimate was prepared, negotiation meetings were conducted, required documents were prepared and submitted. We determined that the change order process complied with the FSD's Change Order Procedures.



**Audit of ENGIE Services U.S., Inc.
Contract No. 1510056/4400003882**

Audit Team

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager
Lurline Garrett, Senior Auditor



**Audit of ENGIE Services U.S., Inc.
Contract No. 1510056/4400003882**

.
. .
.

Independent Auditor's Report

We have examined the change order cost awarded by the Los Angeles Unified School District (District) to ENGIE Services U.S., Inc. (ENGIE) under Contract No 1510056/4400003882 Change Order No. T-501 (Change Order). ENGIE's management is responsible for the change order and complying with the contract terms and conditions in the preparation of the change order proposal. 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 ENGIE'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 ENGIE's compliance with the specified requirements.

In our opinion, the proposed change order cost was adequately supported and the Facilities Services Division's change order procedures were complied with in the execution of the change order

Austin E. Onwualu

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

Know about fraud, waste or abuse?

Tell us about it.

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

Maybe you know something about fraud, waste, or some other type of abuse in the school district.

The Office of the Inspector General has a hotline for you to call. You can also email or write to us.

If you wish, we will keep your identity confidential. You can remain anonymous, if you prefer. And you are protected by law from reprisal by your employer.

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

Office of the Inspector General
333 S. Beaudry Avenue, 12th Floor
Los Angeles, CA
90017 Phone: (213)
241-7700
Fax: (213) 241-6826
<https://achieve.lausd.net/oig>

**Fraud, Waste and Abuse
Hotline (866) 528-7364 or (213)
241-7778**

inspector.general@lausd.net