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**Office of the Inspector General
Los Angeles Unified School District
Audit of
NAC, Inc. dba NAC Architecture
Contract No. 1920023/4400007774**

CA 21-1277

April 16, 2021



Los Angeles Unified School District Office of the Inspector General

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April 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: NAC, Inc. dba NAC Architecture
Contract No. 1920023/4400007774

Dear Ms. Reece:

This is the final report on our audit of NAC, Inc. dba NAC Architecture related to Contract No. 1920023/4400007774.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

William Stern

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

c: Richard Lui
Cheri Thomas

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Audit of NAC, Inc. dba NAC Architecture Contract No. 1920023/440000777

Introduction

The Office of the Inspector General audited Contract Number 1920023/4400007774 awarded by the Los Angeles Unified School District (District) to NAC, Inc. dba NAC Architecture (NAC). The contract was for NAC to provide comprehensive modernization of Taft Charter High School which included new buildings, seismic retrofits of existing buildings, renovation of existing and historic buildings, new exterior campus spaces and other associated site improvements.

The contract was executed on August 21, 2019. The original lump sum contract amount was \$7,932,816. Six extra services were approved and issued during the contract period in the amount of \$1,092,269, which increased the total lump sum contract amount to \$9,025,085.

Scope and Objectives

The objectives of the audit were to determine whether (i) the amount billed by NAC was allowable and adequately supported in accordance with the terms of the contract in all material respects; and (ii) the billed services were provided.

Our scope covered the time period from January 24, 2020 to December 16, 2020. We conducted our audit from December 9, 2020 to March 11, 2021.

Methodology

We interviewed District's and NAC's personnel and obtained an understanding of the contract terms, compensation requirements, scope of work, billing and review processes, and other matters relevant to this audit. We reviewed the billings, supporting documents and NAC's cost proposal details for extra service fees to determine if the billed amount was allowable and adequately supported. We reviewed District's approval notices, NAC's transmittals record, and District's performance evaluation. We interviewed District's personnel to determine if the billed work was completed.

Results of Audit

1. Determination of whether the amounts billed by NAC were allowable and adequately supported in accordance with the terms of the contract in all material respects.

The original contract amount of \$7,932,816, was awarded as a lump sum amount and NAC was to be paid in installments during the course of the contract. Exhibit B, Fee and Payment Schedule, of the contract specified the percentage of the total contract amount payable to NAC at the completion of each phase and also specified that the fee for extra service can either be a negotiated lump sum



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amount or calculated on a time and material basis using approved billing rates in Exhibit F, of the contract and an agreed level of effort. According to the contract, NAC's mark-up of subcontractor fees shall not exceed five percent (5%). The fees for the six extra services approved under this contract were all negotiated lump sum amounts totaling \$1,092,269, which increased the contract amount to \$9,025,085. The contract further allowed NAC to be compensated for project-related expenses not already included in the original contract amount at actual cost without a markup.

A total of \$1,576,264 was billed for work completed during the period from January 24, 2020 through December 16, 2020; \$1,327,066 was for architectural and engineering services provided under the original scope of work, and \$249,198 was billed for completed extra services.

We reviewed the billings against the contract and extra service approval memoranda and determined that the billed amounts were consistent with the authorized contract amount and approved extra service fees. We reviewed the hourly rates billed and determined that they were consistent with the contract approved hourly billing rates and the extra services provided were not part of the base contract. The mark up on subcontractors' fee did not exceed 5% as required by the contract. We also reviewed the supporting documents for the billed cost and determined that the billed amounts were allowable and adequately supported.

2. Determination of whether the billed work was completed.

NAC billed the District every month based on the percentage of completion of each phase.

We obtained and reviewed the District's approval notices and Notices to Proceed (NTP) for each completed work billed. We reviewed NAC's transmittal records, DSA reviews and approvals and District's performance evaluation for the billed work and records of contract required attended meetings. We also interviewed the District Asset Management's Design Manager and Deputy Director of Facilities, Planning and Development and validated the actual percentage of completion for the work still in progress. Based on the test performed, we determined that NAC completed the scope of work for the billed amounts.



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Audit Team

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager
Lurline Garrett, Senior Auditor



**Audit of NAC, Inc. dba NAC Architecture
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Independent Auditor's Report

We have examined the contract awarded by the Los Angeles Unified School District (District) to NAC, Inc. dba NAC Architecture (NAC) under Contract No 1920023/4400007774. NAC's management is responsible for the amounts billed and for complying with the requirements 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 NAC's compliance with the contract requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provided a reasonable basis for our opinion. Our examination does not provide a legal determination on NAC's compliance with the specified requirements.

In our opinion, the amounts billed by NAC under the contract were allowable and adequately supported in accordance with the terms of the contract, and NAC complied with the specific requirement of the contract for the period from January 24, 2020 to December 16, 2020, in all material respects.

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

March 11, 2021

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