



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

**Audit of Ian Thomas Group, Inc.
Contract No. 2010030/4400008481
Change Order No. T-510**

CA 22-1315

November 12, 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

Megan Reilly
Interim Superintendent

Salvatore Randazzo
Interim Inspector General

November 12, 2021

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: Ian Thomas Group, Inc.
Audit of Change Order Number T-510
Contract No. 2010030/4400008481

Dear Ms. Reece:

This is the report on our audit of Change Order Number T-510 of Contract No. 2010030/4400008481 awarded to Ian Thomas Group, Inc.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

Salvatore Randazzo

Salvatore Randazzo
Interim Inspector General

c: Richard Lui
Cheri Thomas

TABLE OF CONTENTS

Introduction, Scope and Objectives, Methodology	1
Results of Audit	2
Audit Team	4
Independent Auditor's Report	5



**Audit of Ian Thomas Group, Inc.
Contract No. 2010030/4400008481
Change Order No. T-510**

Introduction

The Office of the Inspector General (OIG) audited Change Order number T-510 under contract number 2010030/4400008481 (contract) awarded by the Los Angeles Unified School District (District) to Ian Thomas Group, Inc. (ITG). Facilities Services Division (FSD) executed Change Order number T-510 in the amount of \$580,000 to replace the existing prefabricated interior partitions with permanent partitions. The Change Order scope of work included: (1) abatement of the underside of existing glue-laminated beams, (2) flooring strips below the existing prefabricated partitions once removed, (3) relocation/protection of furniture, books, shelves, and equipment, (4) removing and reattaching pre-existing devices/wire molds, (5) Luxury vinyl tile (LVT) flooring and base, (6) T-bar ceilings, (7) new door frames, and (8) two new doors.

ITG was incorporated in California in 2008. It has one office in Southern California. Currently, ITG holds the following licenses: A (General Engineering), B (General Building), C8 (Concrete), C10 (Electrical), and C20 (HVAC). ITG provides general construction, design, program management, construction management, management consulting and engineering consulting services. 74th Street Elementary School is located at 2112 West 74th Street, Los Angeles, California and resides within the District boundary of Local District West.

Scope and Objectives

The objectives of the examination were to determine whether (i) the Change Order amount was adequately supported, fair and reasonable and (ii) the Change Order process complied with the FSD's Change Order Procedures.

From the inception of the contract through October 6, 2021, ITG submitted to the District a total of 13 invoices amounting to \$4,548,011, of which \$464,000 (\$580,000 x 80%) was billed for Change Order T-510. ITG can only bill the remaining \$116,000 (\$580,000-\$464,000) once this Change Order has been finalized with no issues.

Methodology

To accomplish our objectives, we performed the following:

- Interviewed District personnel to obtain an understanding of the scope of work of Change Order number T-510, the billing and Change Order proposal review process and other matters relevant to this examination
- Discussed with District and ITG personnel to understand the breakdown of the cost proposal



**Audit of Ian Thomas Group, Inc.
Contract No. 2010030/4400008481
Change Order No. T-510**

- Reviewed ITG's detailed job cost ledger for CO T-510.
- Reviewed supporting documents of expenses, such as invoices, payroll register, timesheets, and canceled checks.
- Reviewed ITG's internal change orders with its subcontractors related to this Change Order to determine if the proposed subcontractors' cost was consistent with the internal change order amounts.
- Obtained an understanding of District's Change Order Procedure and reviewed the documents included in the change order package

Results of Audit

Objective 1 - Determine whether the Change Order amount was adequately supported, fair and reasonable

ITG's final proposal to the District was in the amount of \$590,638 and the final negotiated amount was \$580,000. We traced the changes to the approved/authorized Change Order and reviewed the approval signatures on the Change Order and found no exception. We reviewed the breakdown of the proposed amount and final negotiated amount and found that the proposed Change Order cost breakdown, and markup were allowable per the Contract's General conditions. We traced the subcontractor's proposal to ITG's proposal, traced the subcontractor's invoices to the payments received from ITG. We reviewed the overhead, bond rate, and tax rate used by ITG. We reviewed ITG's detailed job cost ledger and selected a sample of expenses for testing and compared the labor rates with union labor rates and found no exception.

We reviewed the details of the fair cost estimate prepared by FSD cost estimator and compared it with ITG's proposal and the final negotiated amount through our review of the Record of Negotiation on file. Based on our testing, we determined that the Change Order amount was adequately supported, fair and reasonable.

Objective 2 - Determine whether the Change Order process complied with the Facilities Services Division's Change Order Procedures.

We reviewed FSD's Change Order Procedures, the change order package, interviewed the Owner 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



**Audit of Ian Thomas Group, Inc.
Contract No. 2010030/4400008481
Change Order No. T-510**

meetings were conducted, required documents were prepared and submitted. We determined that the change order process complied with the FSD's Change Order Procedures.

We also conducted a site visit of the school on September 21, 2021. We interviewed the Owner Authorized Representative (OAR), the former Principal who initiated this Change Order and the current Principal. They indicated that the construction work has been completed and expressed overall satisfaction with the work performed by ITG. The Notice of Substantial Completion was issued on September 27, 2021.

The following photos were taken during our site visit at 74th Street Elementary School:





**Audit of Ian Thomas Group, Inc.
Contract No. 2010030/4400008481
Change Order No. T-510**



Audit Team

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager
Vilma Baquir, Senior Auditor



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

Megan Reilly
Interim Superintendent

Salvatore Randazzo
Interim Inspector General

Independent Auditor's Report

We have examined the Change Order costs awarded by the Los Angeles Unified School District (District) to Ian Thomas Group, Inc. (ITG) under Contract Number 2010030/4400008481 (contract). ITG's management was responsible for the Change Order 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 ITG'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.

In our opinion, the Change Order amount was adequately supported, fair and reasonable, and the change order process complied with the Facilities Services Division's Change Order Procedures.

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

October 20, 2021

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