



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

**Audit of Panacea, Inc.
Contract No. 1790021 / 4400005421**

CA 22-1341

May 18, 2022



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

**Kelly Gonez, President
Dr. George J. McKenna III
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Members of the Board

Alberto M. Carvalho
Superintendent

Salvatore Randazzo
Interim Inspector General

May 18, 2022

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: Panacea, Inc. – Contract No. 1790021 / 4400005421

Dear Ms. Reece,

This is the final report on our audit of Panacea, Inc. – Contract No. 1790021 / 4400005421.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

Salvatore Randazzo
Interim Inspector General

C: Richard Lui
Cheri Thomas

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**Audit of Panacea, Inc.
Contract No. 1790021 / 4400005421**

Introduction

The Office of the Inspector General (OIG) audited contract number 1790021 / 4400005421 (contract) awarded by the Los Angeles Unified School District (District) to Panacea, Inc. (Panacea) for providing comprehensive asbestos, lead-containing material, mold, and hazardous materials consulting services for District projects. Work performed by Panacea under the contract was defined and authorized by time-and-material task orders.

Scope and Objectives

During the period from March 1, 2017, through January 31, 2022, Panacea billed and was paid \$4,564,900. We selected statistical samples from the billed invoices for detail testing. The objectives of our examination were to determine whether:

- (i) the amounts billed were adequately supported and allowable according to the contract terms and conditions
- (ii) services were provided as required by the task orders

Methodology

To accomplish our objectives, we performed the following:

- Interviewed District and Panacea personnel to obtain an understanding of the contract requirements and the related internal controls
- Validated the rates billed on the invoices against the contract's rate schedule
- Traced the number of hours and units billed on the invoices to the staff's timesheets and laboratory invoices
- Reviewed District's approval of hours and units billed
- Traced the number of hours on the staff's timesheets to Panacea's payroll registers or subcontractor invoices
- Reviewed any subcontractor invoices and corresponding canceled checks to ensure subcontractor markup was no more than the 5% allowed by the contract



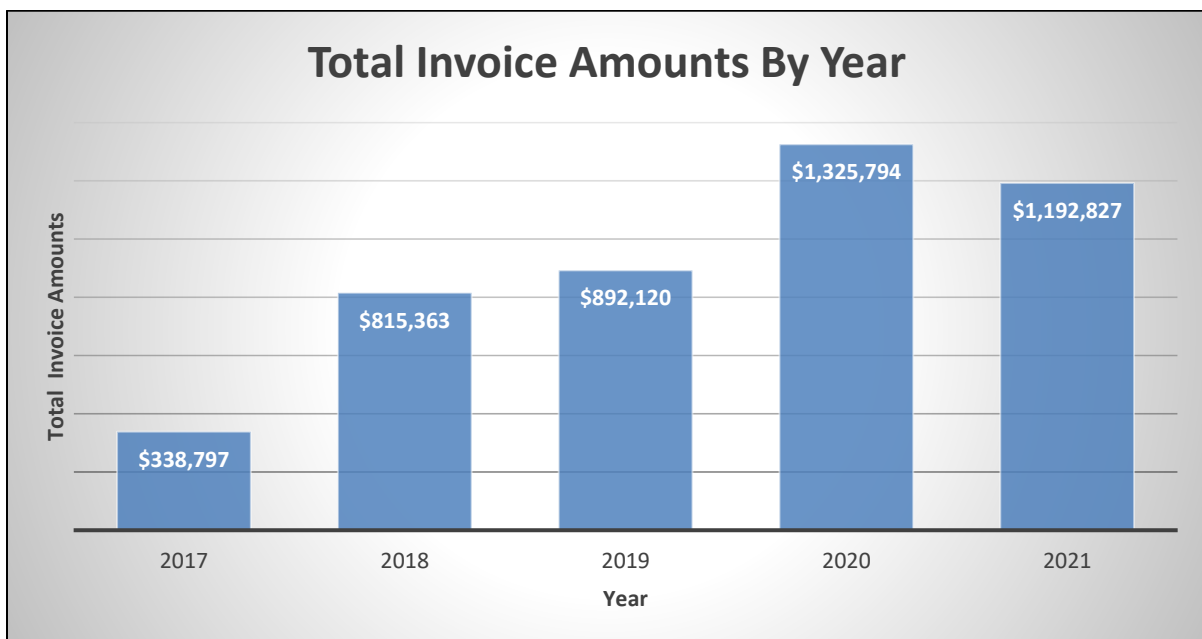
**Audit of Panacea, Inc.
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- Verified the task order number and project location on the timesheets to ensure hours worked were properly billed
- Reviewed staff's certifications of the positions billed
- Reviewed District's advance approval for work performed by certain disciplines
- Compared selected task orders against the relevant project close-out documents/reports and confirmed with the District user department on the completion of the task orders

Results of Audit

Objective 1 - Determine whether the amounts billed were adequately supported and allowable according to the contract terms and conditions

The District paid Panacea on a time-and-material basis in accordance with the contract's rate schedule, which detailed the hourly rates for the specified labor categories and detailed the laboratory services rates for the specified samplings and analyses. From the inception of the contract through January 31, 2022, Panacea billed the District and was paid \$4,564,900. The chart below illustrates the total invoice amounts billed by year:





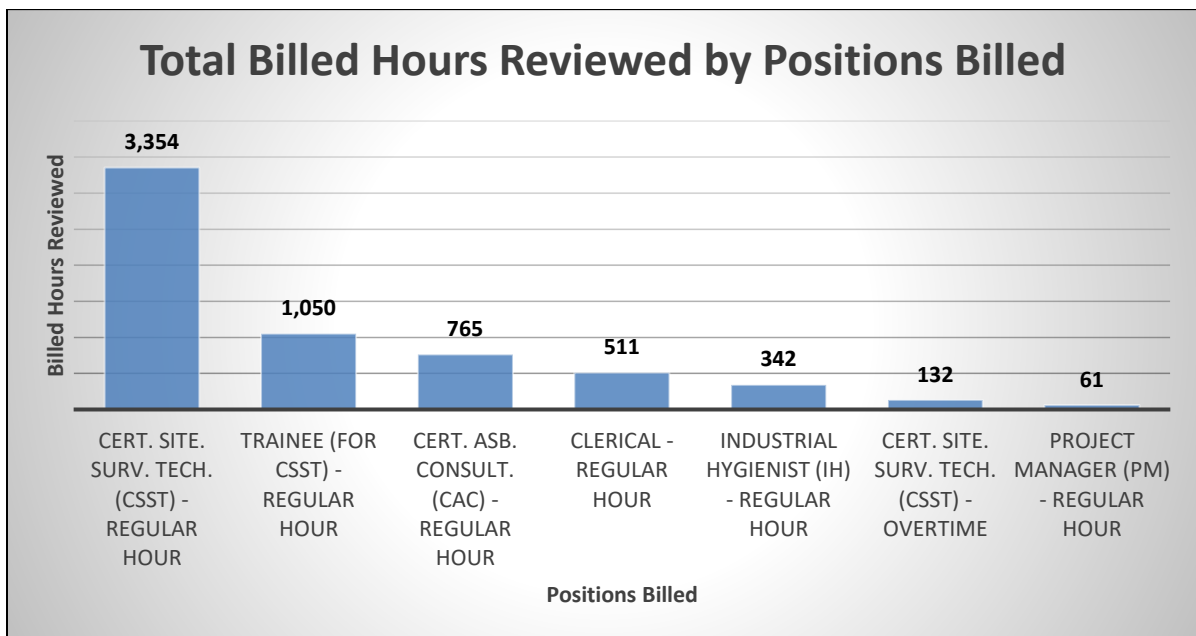
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We reviewed 39 statistically selected invoices, totaling \$531,670, which was approximately 12% of the total amounts billed. We performed the following testing:

Testing of Professional Services Billed

Panacea reported the number of hours worked by staff by date on timesheets, identified invoice numbers, task order numbers, project task, project location, and regular or overtime hours. We validated 6,214 direct labor hours billed against the timesheets and reviewed the related payroll registers. Based on the test work performed, we did not note any exceptions.

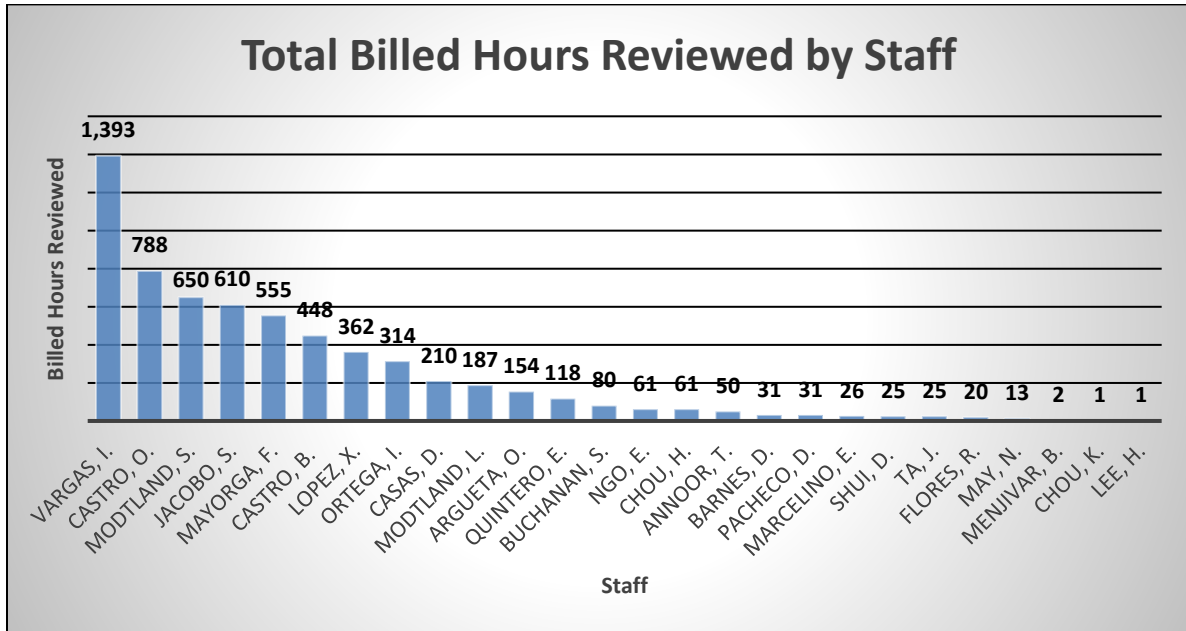
The chart below represents the 6,214 direct labor hours we reviewed by the position billed. Approximately 54% of hours billed were regular non-overtime, Certified Site Surveillance Technicians (CSST), which appeared to be reasonable and in-line with our expectation.





**Audit of Panacea, Inc.
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The chart below represents the 6,214 direct labor hours we reviewed by staff:



Testing of Professional Staff Certifications

Panacea provided various professional positions to work on District projects. These professional positions included Certified Asbestos Consultants and Certified Site Surveillance Technicians that require specific active certifications which are renewed annually. From the statistically selected sample of invoices, we reviewed 26 billed staff positions. Our review found that Panacea’s staff maintained active professional certifications. We noted no exceptions.

Testing of Associated Laboratory Testing Services Billed

Panacea performed air, dust and suspect asbestos bulk sampling and testing, and billed using laboratory invoices by project number, project location, date of test, type of test, quantity of test, etc. From the statistically sampled invoices, we validated 1,628 units of laboratory testing billed against the respective laboratory invoices and we reviewed the District’s approval of the billings. Our review found that the billed laboratory services were adequately supported.



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Objective 2 - Determine whether the services were provided as required by the task orders.

We reviewed the Asbestos Engineering Assessment Phase I and II Reports and Asbestos Abatement and Lead Related Construction Closeout Reports prepared for 10 selected samples out of the 291 completed task orders issued within the audit period (we tested approximately 25% of the total not-to-exceed amounts).

We further confirmed with the District user department on the completion of the task orders. Based on test work performed, we determined that the services were provided as required.

Audit Team

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager
Ken Tsai, Senior Auditor



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Interim Inspector General

Independent Auditor's Report

We have examined the amounts billed by Panacea, Inc. (Panacea) under contract number 1790021 / 4400005421 (contract) for the period from March 1, 2017, through January 31, 2022, for compliance with the terms and conditions of the contract. Panacea's management was 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 Panacea'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 amounts billed by Panacea under the contract for the period from March 1, 2017, through January 31, 2022, were adequately supported and allowable in accordance with the contract terms and conditions in all material respects, and services were provided as required by the contract and task orders.

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

May 4, 2022

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

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