



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

**Audit Report of The Gordian Group, Inc.
Contract No. 4400007850**

CA 22 -1347

June 10, 2022



Los Angeles Unified School District Office of the Inspector General

Kelly Gonez, President
Mónica Garcia
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Tanya Ortiz Franklin
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Members of the Board

June 10, 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

Alberto M. Carvalho
Superintendent

Salvatore Randazzo
Interim Inspector General

RE: The Gordian Group, Inc. /Contract No. 4400007850

Dear Ms. Reece,

This is the final report on our audit of The Gordian Group, Inc. – Contract No. 4400007850.

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

Attachment

c: Richard Lui
Cheri Thomas

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Audit of The Gordian Group Contract No. 4400007850

Introduction

The Office of the Inspector General (OIG) audited Contract Number 4400007850 (Contract) awarded by the Los Angeles Unified School District (District) to The Gordian Group, Inc. (TGG). The Contract was for TGG to provide job order contracting (JOC) application program management services.

The initial term of the Contract was for 24 months, from November 1, 2019, through October 31, 2021, with three (3) one-year option periods. On September 2, 2021, the District extended the Contract term to October 31, 2022, through Amendment No. 2. TGG has billed the District a total of \$1,722,600 for JOC application program management services provided during the period from the inception of the Contract through January 31, 2022.

Scope and Objectives

The objectives of this audit were to determine whether: (i) the billed amounts were allowable and adequately supported in accordance with the terms and conditions of the Contract, (ii) TGG prepared updated Construction Task Catalogs (CTC) and technical specifications for each new contract procurement, and (iii) TGG provided required training services for both District and JOC contractor staff.

Our audit covered period from November 1, 2019, through January 31, 2022.

Methodology

To accomplish our examination objectives, we performed the following procedures:

- Interviewed District staff and obtained an understanding of the contract terms, scope of work, District's internal controls and processes
- Inquired of TGG's management about their internal controls and business operations
- Verified the billed minimum annual fee and rate for additional fees were authorized by the Contract and Contract amendments
- Validated TGG's list of job orders against the purchase orders recorded in SAP
- Reviewed purchase order payment records to ensure any canceled job orders were included in TGG's job order listing
- Reviewed calculation of new bid factors at JOC contract anniversary
- Reviewed the bid factors used in cost proposals of a sample of job orders issued before and after new bid factors became effective
- Inquired District JOC Unit management to confirm TGG's compliance with the requirements of updating the CTC and technical specification and providing required training services to the District and JOC contractor staff.



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- Reviewed various versions of CTCs in eGordian®
- Surveyed a sample of the District’s Owner’s Authorized Representatives (OAR) and JOC contractors for their experience of training services provided by TGG.

Results of Audit

1. Determination of whether the billed amounts were allowable and adequately supported in accordance with the terms and conditions of the Contract.

The Contract committed to a minimum annual fee in exchange for a not-to-exceed construction volume to be procured using JOC during each contract year. Exhibit B, Fee and Payment Schedule, of the Contract specified seven different effective rates for seven tiers of not-to-exceed annual construction volumes and the rates were applied to the correspondent annual construction volume to determine the minimum annual fee. Before the commencement of each contract year, the District had the discretion to choose the not-to-exceed construction volume amount which determined the specific effective rate and the specific minimum annual fee for that contract year. If the actual construction volume exceeded the selected not-to-exceed amount, additional fee was allowed for each additional \$1,000,000 increment of construction volume at the same effective rate.

As of January 31, 2022, TGG has billed the District \$1,722,600 under the Contract.

Contract Year	Not-To-Exceed Annual Construction Volume	Effective Rate	Minimum Annual Fee for the Not-To-Exceed Annual Construction Volume	Additional Fee per Each Additional \$1m Construction Volume	Total Annual Construction Volume per TGG as of January 31, 2022	Total Fees billed by TGG as of January 31, 2022
Year 1 (11/1/2019 – 10/31/2020)	\$30,000,000	2.07%	\$621,000	\$20,700	\$32,817,998	\$683,100
Year 2 (11/1/2020 – 10/31/2021)	\$25,000,000	2.10%	\$525,000	\$21,000	\$40,634,110	\$861,000
Year 3 (11/1/2021 – 10/31/2022) as of 1/31/2022	\$35,000,000	2.04%	\$714,000	\$20,400	\$6,326,329	\$178,500
Total fees billed by TGG as of 1/31/2022						\$1,722,600

TGG bills the District on a quarterly basis. Each invoice includes a quarter of the minimum annual fee and additional fee when the accumulated construction volume exceeds the set annual not-to-exceed amount. Along with the invoices, TGG provides a list of job orders issued as of the quarter ending date. The accumulated amount of those job orders is used as the basis to calculate the additional fees due.



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To determine if the billed amounts were allowable and adequately supported, we reviewed all the invoices billed by TGG and found that the minimum annual fee and additional fees were billed at the rates authorized by the Contract and contract amendments.

We validated the job orders included in TGG's invoices against the purchase orders recorded in SAP. We also reviewed purchase order payment records to ensure any canceled job orders were included in TGG's job order listing.

The job order amount was determined based on quantities of work, unit prices and JOC contract authorized bid factor. While quantities of work were reviewed and approved by the District's Owner's Authorized Representatives (OAR) and unit prices were fixed and come from the Construction Task Catalog (CTC), bid factors were authorized when JOC contracts were awarded and were adjusted at the contract anniversary date based on CPI change. To ensure the bid factors used were correct, we selected a sample of 25 job order contracts with the highest amount of job orders issued during the audit period and reviewed the calculation of new bid factors at the time of the contract anniversary. We found that the updated bid factors were calculated in accordance with the Contract requirement. We further selected job orders issued before and after the bid factor adjustment effective dates, reviewed their cost proposals and found that the correct bid factors were applied to calculate the total job order amount.

Based on our detailed testing, we found that the billed amounts were allowable and adequately supported in accordance with the terms and conditions of the Contract in all material respects.

2. Determination of whether TGG prepared updated CTC and technical specifications for each new contract procurement.

Section B.9 of Exhibit A, Scope of Services, of the Contract requires TGG to prepare updated CTC and technical specifications for each new contract procurement.

Per JOC Unit Management, TGG updated CTC and technical specifications for each JOC contract solicitation. The updated CTC and technical specifications were included as part of the bid package and were provided to prospective JOC contractors. There were ten JOC contract solicitations during the audit period. We reviewed the various versions of CTCs in eGordian® and found that, for each JOC contract solicitation, there was an updated version of the CTC which was consistent with the solicitation time and particular contracting service solicited.

Based on the testing we performed, we determined that TGG prepared updated CTC and technical specifications for each new contract procurement as required by the Contract.



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3. Determination of whether TGG provided required training services to both District and JOC contractor staff.

Section B.11 of Exhibit A, Scope of Services, of the Contract requires TGG to provide initial and refresh software and JOC training for both District and JOC contractor staff.

Per JOC Unit management, the training was mandatory for new District staff and new JOC contractors but was optional for existing staff and contractors. JOC Unit management confirmed that TGG had been providing the trainings as required by the Contract and at District's and JOC Contractor's request.

We surveyed a sample of 35 OARs who worked on job orders during the audit period. We also surveyed 38 JOC contractors with active JOC contracts during the audit period. We received 17 responses from OARs and 17 responses from JOC contractors. All 34 responses confirmed that they had received contract required trainings from TGG. We also reviewed training sign-in sheets for all new JOC contractors who joined the District during the audit period.

Based on the testing we performed, we determined that TGG had provided the required training services to both District and JOC contractor staff.

Audit Team

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager
Shelly Guo, Principal Auditor



Los Angeles Unified School District Office of the Inspector General

Kelly Gonez, President
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Members of the Board

Alberto Carvalho
Superintendent of Schools

Salvatore Randazzo
Interim Inspector General

Independent Auditor's Report

We have examined the amounts billed by The Gordian Group, Inc. (TGG) under Contract Number 4400007850 (Contract) for the period from November 1, 2019, through January 31, 2022, and TGG's compliance with updating the CTC and providing trainings. TGG's management is responsible for the amounts billed and for complying with contract requirements, such as updating the CTC and providing training. 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 TGG'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 TGG's compliance with the specified requirements.

In our opinion, the amounts billed were allowable and adequately supported in accordance with the terms and conditions of the Contract in all material respects and TGG has been updating CTC and technical specifications and providing training services as required by the Contract.

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

June 8, 2022

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Tell us about it.

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

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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

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