

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

**Change Order Audit
Byrom-Davey, Inc.
Change Order No. T-501
Contract No. 4400010853**

**CA 24-1421
June 3, 2024**

**Sue Stengel
Inspector General**

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

Jackie Goldberg, President
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Superintendent

Sue Stengel
Inspector General

June 3, 2024

Mr. Christopher Mount, Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: Audit of Byrom-Davey, Inc.
Contract No. 4400010853 - Change Order T-501

Dear Mr. Mount:

Enclosed is the final report on our audit of Change Order No. T-501 awarded to Byrom-Davey, Inc. under Contract No. 44000010853.

Please get in touch with our office if you have any questions.

Sincerely,

Austin Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

Sue Stengel, Esq., CIG
Inspector General

c: Cheri Thomas, Ivory King, Danda Greer, Lissette Pacheco

Attachment

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**Audit of Byrom-Davey, Inc.
Contract No. 2210020/4400010853
Change Order No. T-501**

EXECUTIVE SUMMARY

The Office of the Inspector General audited Change Order No. T-501 (Change Order) awarded to Byrom-Davey, Inc. (Byrom-Davey) under Contract No. 2210020/4400010853 (Contract) with the Los Angeles Unified School District. The Contract's scope of work was to upgrade the athletic fields at Roosevelt High School. After the contract award, the Facilities Services Division (FSD) requested Byrom-Davey to procure a switchgear, a bus duct, and related equipment as part of the District's effort to provide adequate power to the campus. The Change Order, in the amount of \$1,182,083, was executed for the purchase. The objectives of this audit were to determine whether (i) the change order amount was adequately supported, fair, and reasonable and (ii) the Change Order was executed in accordance with FSD's policies and procedures.

Audit Conclusions

- The change order amount was adequately supported, fair, and reasonable in all material respects.
- FSD's change order policies and procedures were complied with in the execution of the Change Order. FSD documented the reason for approving the Change Order, prepared an independent cost estimate, obtained a change order proposal from Byrom-Davey, documented negotiations, and obtained the appropriate approvals for the Change Order.
- Byrom-Davey did not charge bond costs on the change order work based on their actual bond rate. Bond costs charged exceeded actual bond costs by \$2,107.
- As a result of our audit, FSD issued a credit change order in the amount of \$2,107 for the overcharged bond cost. Furthermore, FSD management indicated that it had begun the implementation of new policies and procedures to ensure actual bond rates are used to compute bond costs on future change order work.

INTRODUCTION

On December 13, 2022, the District entered into Contract No. 2210020/4400010853 with Byrom-Davey for the comprehensive athletic fields upgrade project at Roosevelt High School. On October 17, 2023, FSD executed Change Order No. T-501, in the amount of \$1,182,083, to procure a switchgear, a bus duct, and related equipment as part of the effort to provide adequate power to the campus. On October 30, 2023, the Procurement Services Division (PSD) requested the Office of the Inspector General (OIG) to audit the Change Order to ascertain whether the change order cost was fair and reasonable.



**Audit of Byrom-Davey, Inc.
Contract No. 2210020/4400010853
Change Order No. T-501**

SCOPE AND OBJECTIVES

The objectives of our examination were to determine the following:

- (i) Whether the change order amount was adequately supported, fair, and reasonable.
- (ii) Whether FSD's change order policies and procedures were complied with in the execution of the Change Order.

METHODOLOGY

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

- Interviewed the project's Owner Authorized Representative (OAR), and Byrom-Davey's personnel to understand the Change Order's scope of work.
- Reviewed FSD's change order procedures.
- Reviewed Byrom-Davey's Change Order Proposal (COP)¹ and the District's Fair Cost Estimate (FCE).²
- Compared the change order price to the FCE.
- Reviewed Byrom-Davey's change orders with its subcontractor.
- Reviewed the Record of Negotiation³ completed for the Change Order.
- Reviewed the change order documentation.

¹ A Change Order Proposal is a written instrument prepared and issued by the contractor, setting forth proposed adjustments to the contract amount, milestones and/or contract time, and/or an addition, deletion, or revision in the work.

² Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed Change Order work prepared by the OAR, the project estimator, or the Estimating Unit.

³ A Record of Negotiation is a form that documents discussions and negotiations of the cost and schedule impacts of the change order to the existing contract.



Audit of Byrom-Davey, Inc.
Contract No. 2210020/4400010853
Change Order No. T-501

RESULTS OF AUDIT

Objective 1: The change order amount was adequately supported, fair, and reasonable in all material respects.

On December 21, 2022, the District issued Construction Directive R001 and required Byrom-Davey to procure a 5,000A electrical switchgear, a bus duct, and the related equipment as part of the effort to provide adequate power to the campus. On March 9, 2023, the District issued Request for Proposal (RFP) No. LAUSD-RHS-001 to Byrom-Davey and requested Byrom-Davey to solicit bids for the upgrade of the main service at Roosevelt HS. The RFP specified the manufacturer of the switchgear. Byrom-Davey submitted its change order proposal in the amount of \$1,182,083, which the District accepted, issuing Change Order T-501 for the same amount. The change order work was still in progress during the time of this audit. Byrom-Davey issued the purchase order to the subcontractor on October 4, 2023, and the subcontractor placed a purchase order with the manufacturer on October 10, 2023. The estimated time of completion is in December 2025.

The following table shows the breakdown of the change order amount:

Description	Change Order Amount
Subcontractor Cost	\$ 1,114,647
5% Fee on Subcontract Work	55,732
Additional Bond	11,704
Total	\$ 1,182,083

Our review found that the change order costs were adequately supported and allowable in all material respects.

Subcontract Cost

Based on our review of the bid solicitation documentation, we verified the following:

- Byrom-Davey solicited bids as required.
- The subcontractor cost proposed by Byrom-Davey matched the proposed amount from the lowest responsive bidder from the bid solicitation.
- Byrom-Davey invited five electrical contractors to bid for the work. Three attended the mandatory site walk and two, Neubauer Electric, Inc. and Ace Electric, Inc., submitted proposals. Neubauer was the lower priced proposer initially, but subsequently failed to secure a subcontractor to perform the work based on the timeframe of the work. Therefore, Byrom-Davey awarded the work



Audit of Byrom-Davey, Inc.
Contract No. 2210020/4400010853
Change Order No. T-501

to Ace Electric, Inc. for the proposed amount of \$1,114,647. The scope of work included the following:

- Procure a new 5000A switchgear, a new 4000A bus duct, and related equipment
- Submittals and coordination
- Coordination and arc flash studies
- Receive and offload switchgear and bus duct on site.

Fee

The mark-up applied to subcontracted work adhered to the allowable percentages of 5% respectively.

Bond Cost

The Contract allows Byrom-Davey to charge the District bond costs on the change order work but not to exceed 2% of the cost of the work. Byrom-Davey's proposed bond cost of \$11,704 was computed based on a rate of 1%, which exceeded its actual bond rate of 0.82%, resulting in \$2,107 of overcharged bond cost.

As a result of our audit, FSD issued a credit change order in the amount of \$2,107 for the overcharged bond cost. Furthermore, FSD management indicated that it had begun the implementation of new policies and procedures to ensure actual bond rates are used to compute bond costs on future change order work.

Objective 2: The Change Order was executed in accordance with FSD's policies and procedures.

Our review concluded that the change orders were executed according to FSD's change order policies and procedures. The following are the conclusions from our review:

- The OAR completed Justification for Contract Modification forms explaining why it was necessary to execute the Change Order.
- The OAR obtained or prepared independent fair cost estimates (FCE) for the change order work. The FCE amount was \$1,650,000, which was higher than the COP amount.



**Audit of Byrom-Davey, Inc.
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Change Order No. T-501**

- The OAR obtained a change order proposal (COP) from Byrom-Davey detailing the proposed adjustment to the existing contract amount and a breakdown of the costs related to the change order work.
- The OAR completed Record of Negotiation forms documenting the discussions and negotiations of the cost or impact of the Change Order to the existing contract.
- The Change Order was approved by the appropriate level of management.⁴

AUDIT TEAM

The following auditors performed this audit:

Stella Lai, Audit Manager
Shelly Guo, Principal Auditor
Vilma Baquir, Senior Auditor

⁴ The OAR may authorize change orders which individually do not exceed \$50,000. The Senior Project Manager or Construction Manager must also sign all change orders. The Regional Construction Director must authorize change orders which individually do not exceed \$100,000. The Deputy Director of Facilities Project Execution must authorize change orders which individually do not exceed \$500,000. The Director of Facilities Project Execution must authorize change orders which individually do not exceed the lower of 15% of the original contract price or \$500,000.



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Independent Auditor's Report

We have examined Change Order No. T-501 (Change Order) awarded by the Los Angeles Unified School District (District) to Byrom-Davey, Inc. (Byrom-Davey) under Contract No. 2210020/4400010853 (Contract). Byrom-Davey's management is responsible for the Change Order and complying with the contract terms and conditions in preparing the Change Order. 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 Byrom-Davey's compliance with the Contract Requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Byrom-Davey's compliance with the specified requirements.

In our opinion, the change order amount was adequately supported, fair, and reasonable in all material respects and was executed in accordance with FSD's policies and procedures.

Austin Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

March 8, 2024

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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
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Phone: (213) 241-7700
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Fraud, Waste and Abuse Hotline

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