



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

**Audit of  
The Converse Professional Group  
dba Converse Consultants  
Contract No. 1690006/4400004103**

**CA 20-1271**

**February 26, 2021**



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

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**Kelly Gonez, President**  
**Dr. George J. McKenna III**  
**Mónica García**  
**Scott M. Schmerelson**  
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**Jackie Goldberg**  
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*Members of the Board*

**Austin Beutner**  
*Superintendent of Schools*

**William Stern**  
*Inspector General*

February 26, 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: The Converse Professional Group dba Converse Consultants  
Contract No. 1690006/4400004103

Dear Ms. Reece,

This is the final report on our audit of The Converse Professional Group dba Converse Consultants related to contract no. 1690006/4400004103.

Please contact our office if you have any questions.

Sincerely,

***Austin E. Onwualu***

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Austin Onwualu, CPA, CIG, CGMA  
Deputy Inspector General, Audits

***William Stern***

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

c: Richard Lui  
Cheri Thomas

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# Audit of Converse Consultants Contract No. 1690006/4400004103

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## **Introduction**

The Office of the Inspector General (OIG) audited contract number 1690006/4400004103 (contract) awarded by the Los Angeles Unified School District (District) to The Converse Professional Group dba Converse Consultants (Converse) for providing special inspections at school site construction projects and associated laboratory testing services. Work performed by Converse under the contract was authorized by time-and-material task orders with specified performance periods.

## **Scope and Objectives**

During the period from November 1, 2015 through February 29, 2020, Converse submitted to the District 224 invoices totaling \$2,247,363. The objectives of this audit were to determine the following:

- (i) Whether the billed amounts were adequately supported and complied with the terms and conditions of the contract
- (ii) Whether the services were provided as required by the task orders

## **Methodology**

To accomplish our objectives, we performed the following:

- Interviewed District and Converse personnel to obtain an understanding of the contract requirements and the related internal controls
- Determined the employment status (employee versus non-employee) of the inspectors and their proper billing rates by reviewing insurance policy documentation
- Validated the rates billed on the invoices against the contract's rate schedule
- Traced the number of hours billed on the invoices to the employees' time sheets and daily inspection reports
- Traced the number of hours on the employees' timesheets to Converse's payroll registers
- Verified the project number on the timesheets
- Reviewed the invoices from subcontractors
- Compared selected task orders against the relevant daily inspection reports



## Audit of Converse Consultants Contract No. 1690006/4400004103

### Results of Audit

#### **Objective 1 - Determine whether the billed amounts were adequately supported and in accordance with contract terms and conditions.**

Exhibit B of the contract's Amendment #1 specified two rates—employee rates and non-employee rates—for each labor category and stated the following: “Employee rates are for staff that receive both health benefits and vacation/sick time from the Consultant and benefits outlined in the State of California, Director of Industrial Relations, Prevailing Wage Determination, issue date August 22, 2014.” According to Procurement Services Division, the employee rates should be used to bill for services provided only by those employees who receive employee benefits (health benefits and vacation/sick time benefits) directly from Converse in addition to benefits from the labor union.

For the period covered by our audit, Converse used employee rates to bill for services provided by 51 inspectors but did not provide documentation of having provided health benefits to the inspectors during the period. Furthermore, Converse did not provide documentation showing that it contributed to the labor union fringe benefits trust fund (Operating Engineers Trust Funds – Local 12) as required by section 5.2 of the Project Stabilization Agreement (PSA) for 20 of the 57 inspectors.

We reviewed all invoices billed for the period from November 2015 to February 2020 and determined that the differences between the amounts billed and the billable amounts using the non-employee rates totaled \$226,436. In addition, Converse overbilled \$165 for rebar tensile testing on two of the invoices we reviewed. As a result, the total overbilling amounted to \$226,601 for the period covered under the audit.

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

Our review of the daily inspection reports prepared for 10 out of 39 task orders issued within the audit period found that the services were provided as required by the task orders.

### Recommendations

Converse should:

- Refund the District \$226,601 for the overbilling.
- Use the correct billing rates for services provided by non-employees in the future.
- Contribute to the labor union fringe benefits trust fund for all the inspectors as required by the PSA.



## Audit of Converse Consultants Contract No. 1690006/4400004103

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District management should:

- Seek recovery of the overbilled amount.
- Enforce Converse's compliance with the PSA.

### **Responses**

#### **Converse's Response:**

Converse did not provide a response by the extended response due date. Therefore, this report was issued without a response from Converse.

#### **PSD's Response:**

PSD concurs with our findings. PSD stated that it will take the following actions:

- Demand payment of \$226,601 from Converse.
- Advise Converse to use correct billing rates for non-employees and to put proper protocols in place to ensure compliance with the contract's fee and payment schedule.
- Advise Converse to ensure that they contribute to the labor union fringe benefits trust fund for all the inspectors as required by the PSA.

### **Audit Team**

This audit was performed by the following auditors:

Stella Lai, Audit Manager  
Vilma Baquir, Senior Auditor  
Joanna Vuong, Senior Auditor



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

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*Inspector General*

### **Independent Auditor's Report**

We have examined the amounts billed by The Converse Professional Group dba Converse Consultants (Converse) under contract number 1690006/4400004103 (contract) for the period from November 1, 2015 through February 29, 2020, for compliance with the terms and conditions of the contract. Converse'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 Converse'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.

We determined that Converse overbilled the District \$226,601 due to the use of incorrect billing rates.

In our opinion, except for the overbilled amount referred to above, the amounts billed by Converse under the contract for the period from November 1, 2015 through February 29, 2020 were adequately supported and allowable in accordance with the contract terms and conditions in all material respects.

***Austin E. Onwualu***

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Austin Onwualu, CPA, CGMA, CIG  
Deputy Inspector General, Audits

November 12, 2020

# Los Angeles Unified School District Procurement Services Division

AUSTIN BEUTNER  
Superintendent  
  
MEGAN K. REILLY  
Deputy Superintendent  
Business Services and Operations



DAVID D. HART  
Chief Financial Officer  
  
JANICE SAWYER  
Business Manager  
  
JUDITH REECE  
Chief Procurement Officer

January 15, 2021

Mr. Austin Onwualu, Deputy Inspector General, Audits  
Los Angeles Unified School District  
Office of the Inspector General (OIG)  
333 S. Beaudry Avenue, 12<sup>th</sup> Floor  
Los Angeles, CA 90017

RE: RESPONSE TO DRAFT INCURRED COST AUDIT REPORT NO. CA-00-000  
CONVERSE PROFESSIONAL GROUP DBA CONVERSE CONSULTANTS  
CONTRACT NO. 1690006/4400004103

Dear Mr. Onwualu,

Procurement Services Division (PSD) is in receipt of the above-referenced draft incurred cost audit report dated November 30, 2020. Below is an outline of our responses to the audit findings and recommendations.

**Recommendation #1:** *OIG recommends that Converse refund the District \$226,601.*

**Response:** PSD agrees with this recommendation. A demand letter will be issued to Converse Professional Group DBA Converse Consultants (Converse) to refund the District \$226,601, of which, \$226,436.00 is for the overbilled amount in using employee rates for non-employees and \$165.00 is for the overbilled rebar tensile testing on two invoices reviewed.

**Recommendation #2:** *OIG recommends that Converse use the correct billing rates for services provided by non-employees in the future.*

**Response:** PSD agrees with this recommendation. Converse will be advised to ensure the use of correct billing rates for non-employees and to put proper protocols in place to ensure compliance with the contract's fee and payment schedule.

**Recommendation #3:** *OIG recommends that Converse contribute to the labor union fringe benefits trust fund for all the inspectors as required by the PSA.*

**Response:** PSD agrees with this recommendation. Converse will be advised to ensure that they contribute to the labor union fringe benefits trust fund for all the inspectors as required by the PSA.

If you have any questions, please do not hesitate to contact me at [judith.reece@lausd.net](mailto:judith.reece@lausd.net).

Sincerely,

SK

  
Digitally signed by Judith  
Reece  
Date: 2021.01.19  
09:51:14 -0800  
**JUDITH REECE**  
Chief Procurement Officer

JR/cg

c: J. Ballardo  
R. Kapoor  
J. Woessner  
R. Liu  
C. Thomas

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333 S. Beaudry St., 28<sup>th</sup> Floor, Los Angeles, CA 90017  
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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**

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