



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

**Audit Report  
of  
United Testing Corporation  
dba United Inspection & Testing  
Contract No. 1690016/4400004113**

**CA 21-1283**

**May 5, 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**  
**Nick Melvoin**  
**Jackie Goldberg**  
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*Members of the Board*

**Austin Beutner**  
*Superintendent of Schools*

**William Stern**  
*Inspector General*

May 5, 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: United Testing Corporation dba United Inspection & Testing  
Contract No. 1690016/4400004113

Dear Ms. Reece:

This is the report on our audit of Contract No. 1690016/4400004113 awarded to United Testing Corporation dba United Inspection & Testing for providing special inspections at school site construction projects and associated laboratory testing services.

Please contact our office if you have any questions.

Sincerely,

***Austin E. Onwualu***

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Austin Onwualu, CPA, CIG  
Deputy Inspector General, Audits

***William Stern***

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

c: Richard Lui  
Cheri Thomas

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# Audit of United Testing Corporation Contract No. 1690016/4400004113

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## **Introduction**

The Office of the Inspector General (OIG) audited contract number 1690016/4400004113 (contract) awarded by the Los Angeles Unified School District (District) to United Testing Corporation dba United Inspection & Testing (United) for providing special inspections at school site construction projects and associated laboratory testing services. Work performed by United under the contract was authorized by time-and-material task orders with specified performance periods.

## **Scope and Objectives**

During the period November 1, 2015 through July 31, 2020, United submitted to the District 197 invoices with a total amount billed of \$1,073,755. The objectives of this audit were to determine the following:

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

Our examination covered the period from November 1, 2015 through July 31, 2020.

## **Methodology**

To accomplish our objectives, we performed the following:

- Interviewed District and United 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 United's payroll registers
- Verified the project number on the timesheets



## Audit of United Testing Corporation Contract No. 1690016/4400004113

- Reviewed the invoices from subcontractors
- Compared selected task orders against the relevant daily inspection reports

### Results of Audit

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

The original contract specified one set of hourly rates for inspection services, but with the execution of Amendment No. 1, two sets of hourly rates became effective in June 2016 for each labor category:

- Employee rates
- Non-employee rates

Exhibit B of the contract's Amendment #1 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." Procurement Services Division (PSD) confirmed that 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 United in addition to benefits from the labor union.

We reviewed evidence of union fringe benefits trust fund contributions for the 91 inspectors who provided services under the contract, and based on the documentation provided, we determined that United contributed to the labor union fringe benefits trust fund (Operating Engineers Trust Funds – Local 12) as required by the contract and the Project Stabilization Agreement (PSA) for 28 inspectors. There was no evidence of union fringe benefits trust fund contributions for 63 inspectors. According to notes provided by United, some of the inspectors were temporary employees and there were no payroll records for some inspectors. Failure to contribute to the labor union fringe benefits trust fund not only precluded United from using the employee rate to bill for inspection services, but it was also a violation of section 5.2 of the Project Stabilization Agreement (PSA) and the contract.

We requested for proof of health insurance coverage for all the inspectors for the audit period and was provided 17 months of health insurance bills for review. As the billing period for each health insurance bill began and ended in the middle of the month, we considered each bill evidence of health insurance coverage for two months. The following months were not covered by the health insurance bills provided for our review: June 2016 to September 2016, April 2018 to May 2018, August 2019 to January 2020, and April to May 2020.



## Audit of United Testing Corporation Contract No. 1690016/4400004113

Our review of the 17 health insurance bills determined that most of the inspectors who provided services did not receive health benefits during the 34 months covered by the insurance bills. Out of the 91 inspectors who provided services during the audit period, 19 received health insurance benefits at some time during those 34 months (see Appendix I Table 1), 57 did not receive health insurance during those 34 months (see Appendix I Table 2), and 15 did not provide services during the 34 months (see Appendix I Table 3).

After the effective date of Amendment No. 1, United should have used the non-employee rate to bill for services provided by those inspectors who did not receive both health insurance benefits and union fringe benefits. However, United used the employee rate to bill for all the inspection services provided.

For the thirty-four months covered by the health insurance bills, we calculated a total overbilling of \$70,089 due to the use of the higher employee rate for inspectors who did not receive health insurance benefits during their months of service. Of this amount, overbillings of \$8,611 and \$61,478 were related to services provided by inspectors listed in Table 1 (those inspectors who received health insurance benefits during some months covered by the insurance bills) and Table 2 (those inspectors who did not receive any health insurance benefits during the months covered by the health insurance bills) respectively.

We proceeded to review all the invoices submitted by United for the months not covered by the health insurance bills and calculated an additional \$9,265 of questioned costs for the lack of evidence of health insurance benefits coverage for the inspectors. Therefore, questioned costs totaled \$79,354 based on our review of health insurance benefits documentation.

Description	Amount of Questioned Costs
34-Month period for which health insurance bills were provided	\$ 70,089
Months for which no health insurance bills were provided (June 2016 to September 2016, April 2018 to May 2018, August 2019 to January 2020, and April to May 2020)	9,265
	<u>\$ 79,354</u>

This questioned cost was related to services provided by 75 inspectors. Of this amount, \$68,407 was related to services provided by the 57 inspectors listed in Table 2 (who did not receive health benefits during the months covered by the health insurance bills we reviewed), \$9,475 was related



## Audit of United Testing Corporation Contract No. 1690016/4400004113

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to services provided by 11 inspectors listed in Table 1 (who received health benefits during some of the months covered by the health insurance bills reviewed), and \$1,472 was related to services provided by seven inspectors listed in Table 3 (those inspectors who did not provide services during the months covered by the insurance bills reviewed).

Finally, there were twelve inspectors in Table 1 who received health benefits from United but there was no evidence of union trust fund benefits for those inspectors. The names of those twelve inspectors are listed in Table 4 of Appendix I. Since non-employee rates were to be used to bill for services provided by those inspectors who did not receive both employee benefits (health benefits and vacation/sick time benefits) directly from United and benefits from the labor union, we calculated an additional \$7,576 of questioned costs related to those twelve inspectors for the lack of proof of labor union fringe benefits.

In conclusion, we determined that United overbilled the District a total of \$86,930 for the period covered by this audit.

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

There were 83 task orders issued under the contract and 58 of them have been completed. We obtained from the Facilities Services Division (FSD) the reports that were submitted by United for a sample of 30 task orders. Based on our review of the reports, we determined that the contracted scope of work was completed for those task orders.

### **Recommendations**

United should:

- Refund the District \$86,930.
- Implement proper policies and procedures to only use employee rates to bill for services provided by those inspectors who 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.
- Contribute to the labor union fringe benefits trust fund for all the inspectors as required by the contract and the PSA.



## Audit of United Testing Corporation Contract No. 1690016/4400004113

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District management should:

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

### Responses

#### **United's Response**

United did not provide a formal response. However, it mailed a check in the amount of \$86,930 to the District to refund the overbilled amount.

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

PSD concurred with our findings and indicated that it had received the full refund of \$86,930 from United.

PSD also stated that it would advise United to implement policies and procedures to only use employee rates to bill for services provided by inspectors who receive both health benefits and vacation/sick time from United and benefits outlined in the State of California, Director of Industrial Relations, Prevailing Wage Determination (dated August 22, 2014).

### Audit Team

This audit was performed by the following auditors:

Stella Lai, Audit Manager  
Silas Awujo, Principal Auditor



# Los Angeles Unified School District

## Office of the Inspector General

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Kelly Gonez, President  
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*Inspector General*

### Independent Auditor's Report

We have examined the amounts billed by United Testing Corporation dba United Inspection & Testing (United) under contract number 1690016/4400004113 (contract) for the period from November 1, 2015 through July 31, 2020, for compliance with the terms and conditions of the contract. United'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 United'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 United overbilled the District \$86,930 due to the use of incorrect billing rates. In addition, United did not furnish written representations confirming its compliance with the contract and the accuracy and completeness of the information provided to us during our examination.

In our opinion, except for the overbilled amount referred to above and the effect of the scope limitation placed on the examination due to the lack of written management representations, the amounts billed by United under the contract for the period from November 1, 2015 through July 31, 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, CIG  
Deputy Inspector General, Audits

March 11, 2021

**Table 1**  
**Inspectors Who Received Health Insurance Benefits**  
**Per the Insurance Bills Reviewed**

<b>Last Name</b>	<b>First Name</b>	<b>Last Name</b>	<b>First Name</b>
Almaraz	Jose	Guerra	Fernando
Amaral	Ryan	Hull	Taylor
Bartley	Chad	Lindquist	Steven
Brantey	Richard	Michaels	Jonah
Crow	Brandon	Mona	Steven
Eviota	Fidel	Mondragon	Luis
Felix	Brian	Nauden	Stacy
Blas	Oscar	Winscher	Jeremy
Wyrick	Kyle	Linguist	Craig
Simons	Jacob		

**Table 2**  
**Inspectors Who Did Not Receive Health Insurance Benefits**  
**Per the Insurance Bills Reviewed**

<b>Last Name</b>	<b>First Name</b>	<b>Last Name</b>	<b>First Name</b>	<b>Last Name</b>	<b>First Name</b>
Aguire	Isaac	Koke	Steve	Torres	Ernesto
Alamilla	Leonel	Kwak	Yoon	Tran	Kevin
Anaya	Damian	Ly	Jacqueline	Tran	Andy
Arredondo	Henry	Fitzgerald	Dennis	Tsai	Franklin
Basore	Duane	Hainsworth	David	Schumann	Aaron
Baker	Antwuan	Hewitt	Craig	Shoals	Raymundo
Bilhime	Thomas	Klink	Clifford	Sjem	Brian
Lopez	Juan	Hickman	Louis	Soudah	Fayad
Burkhalter	Calvin	Hightower	Darrell	Tsai	Edward
Carrasco	Geoffrey	Melder	James	Tsai	Nathan
Carter	Samuel	Nava	Jose	Uy	Santos
Chaidez	Daniel	Ngo	Tung	Valencia	Miguel
Eaves	Dennis	Nguyen	Hiep	Williams	Henry
Fikel	Kristin	Prout	Gregory	Yavomicky	Mike
Flores	Abraham	Perez	Perry	Taylor	Michael
Gray	Joseph	Ramsey	Charles	Troxel	Charles
Han	Nelson	Renteria	Burnie	Uy	Orrick
Hayes	Jerett	Robinson	Gregory	Walker	Kulani
Hainsworth	Craig	Samaan	Khaldoun	Nguyen	Ngon

**Table 3**  
**Inspectors Who Did Not Provide Services During the Months**  
**Covered by the Insurance Bills Reviewed**

<b>Last Name</b>	<b>First Name</b>	<b>Last Name</b>	<b>First Name</b>
Busche	Ronald	Klain	Micheal
Campbell	Christopher	Magan	Mark
Chhivindr	Khlok	Medlin	Don
Davis	Christopher	Mingheill	Christopher
Gamez Jr.	Natividad	Moore	Rob
Gomez	Steven	Shiffer	Frederick
Hall	Jeremy	Vasquez	Miguel
Ibrahim	Monir		

**Table 4**  
**Inspectors Who Received Health Benefits but Not Labor Union Fringe Benefits**

<b>Last Name</b>	<b>First Name</b>	<b>Last Name</b>	<b>First Name</b>
Brantey	Richard	Michaels	Jonah
Crow	Brandon	Mona	Steven
Eviota	Fidel	Mondragon	Luis
Felix	Brian	Simons	Jacob
Guerra	Fernando	Winscher	Jeremy
Lindquist	Craig	Wyrick	Kyle

## 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

April 12, 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  
UNITED TESTING CORPORATION dba UNITED INSPECTIONS & TESTING  
CONTRACT NO. 1690016/4400004113**

Dear Mr. Onwualu,

Procurement Services Division (PSD) is in receipt of the above-referenced draft incurred cost audit report dated March 19, 2021. Below is an outline of our responses to the audit findings and recommendations.

**Recommendation #1:** *OIG recommends that United refund the District \$86,930.*

**Response:** PSD agrees with this recommendation. United has submitted a check in full amount of \$86,930 which has been forwarded to the Cash Receipts Unit. A copy of the check is attached for your reference.

**Recommendation #2:** *OIG recommends that United implement policies and procedures to only use employee rates to bill for services provided by those inspectors who 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 (dated August 22, 2014).*

**Response:** PSD agrees with this recommendation. United will be advised to implement policies and procedures to only use employee rates to bill for services provided by inspectors who 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 (dated August 22, 2014).

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

Sincerely,

**JUDITH REECE**  
Chief Procurement Officer

c: J. Ballardo  
R. Kapoor

J. Woessner  
R. Lui

C. Thomas

**PROCUREMENT SERVICES DIVISION**  
333 S. Beaudry St., 28<sup>th</sup> Floor, Los Angeles, CA 90017  
Telephone (213) 241-3087 • Fax (213) 241-8945

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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  
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Phone: (213) 241-7700  
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inspector.general@lausd.net