



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

**Audit Report of
Sysco Los Angeles, Inc.
Contract No. 4400007776**

CA 22-1314

November 5, 2021

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

Kelly Gonez, President
Dr. George J. McKenna III
Mónica García
Scott M. Schmerelson
Nick Melvoin
Jackie Goldberg
Tanya Ortiz Franklin
Members of the Board

Megan Reilly
Interim Superintendent of Schools

Sal Randazzo
Interim Inspector General

November 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: Sysco Los Angeles, Inc.
Contract No. 4400007776

Dear Ms. Reece:

This is the final report on our audit of Sysco Los Angeles, Inc.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

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

Sal Randazzo

Sal Randazzo
Interim Inspector General

C: Richard Lui
Cheri Thomas

TABLE OF CONTENT

Introduction, Scope and Objectives, Methodology	1
Results of Audit	2-4
Audit Team	4
Independent Auditor's Report	5



Audit of Sysco Los Angeles, Inc. Contract No. 4400007776

Introduction

The Office of the Inspector General (OIG) audited contract number 4400007776 (contract) awarded by the Los Angeles Unified School District (District) to Sysco Los Angeles, Inc. (Sysco) for procuring groceries and shelf stable food products. The contract period was from September 11, 2019, through September 10, 2024. The contract has a not-to-exceed amount of \$130,000,000.

Scope and Objectives

The objectives of our examination were to determine the following:

- Whether Sysco billed the District using contract authorized rates.
- Whether the District took early payment discounts when eligible.
- Whether Sysco paid the District volume rebate according to the contract.
- Whether the billed products were delivered to the District.

Our examination covered the period from September 11, 2019, through May 27, 2021.

Methodology

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

- Interviewed Procurement Services Division's (PSD) and Food Services Division's (FSD) management to obtain an understanding of the District's policies and procedures on ordering and receiving products purchased under this contract.
- Inquired Sysco 's management about their internal controls, business operations, and billing procedures.
- Selected a statistical sample of 36 invoices for detailed testing.
- Compared the billed unit rates against the contract's authorized rates.
- Verified the mathematical accuracy of each invoice tested.
- Validated the billed item description, and quantities against the District's purchase order.
- Traced the quantity of products billed to the Report of Goods Received signed by District



Audit of Sysco Los Angeles, Inc. Contract No. 4400007776

warehouse staff.

- Observed the District staff's inspection and receiving of products delivered by Sysco at the District's warehouse.

Results of Audit

1. Determine whether Sysco billed the District using contract authorized rates.

Sysco submitted 141 invoices totaling \$5,395,623 under the contract for the period from September 11, 2019, through May 27, 2021 for food products delivered to the District's warehouse. We selected a statistical sample of 36 invoices totaling \$1,733,140, or 32% of the total amount paid, for testing. We found that the unit rates billed for the products agreed to the unit rates on the purchase orders and that they were the authorized rates according to the contract's pricing schedule. Therefore, we concluded that Sysco billed the District using contract authorized rates.

2. Determine whether the District took the early payment discount when eligible.

Provision number 13.8 of the contract stipulates the following: "The amount of any Sysco invoice for which the District would otherwise be responsible will be discounted by two percent (2%) if the District pays that invoice through electronic funds transfer." The District required Sysco to sign up for electronic fund transfer, but Sysco has not complied with the District requirement. Therefore, the District paid all invoices submitted by Sysco under the contract by check, and the District did not take early payment discount from the payments.

3. Determine whether Sysco paid the District volume rebate according to the contract.

The contract requires Sysco to rebate the District one percent of the value of all purchases made by the District in excess of ten percent of the Maximum Contract Value. For the period covered under this examination, the District's total purchases under the contract were less than the threshold for volume rebates, and Sysco has not paid any volume rebates under this contract.

4. Determine whether the billed products were delivered to the District.

To ascertain that the District received the products billed, we reviewed the bill of lading maintained by Sysco and the receiving reports obtained from District's warehouse. We reviewed the receiving reports and matched the products received with the products billed on the invoices. We also noted that the bills of lading were signed by the District's warehouse employees, evidencing their receipt of the products.



**Audit of Sysco Los Angeles, Inc.
Contract No. 4400007776**

The following are pictures of Sysco's August 18, 2021 delivery and District warehouse staff's counting and inspection of the delivered products.



Photo No. 1: Sysco truck at the warehouse receiving dock getting ready to unload.

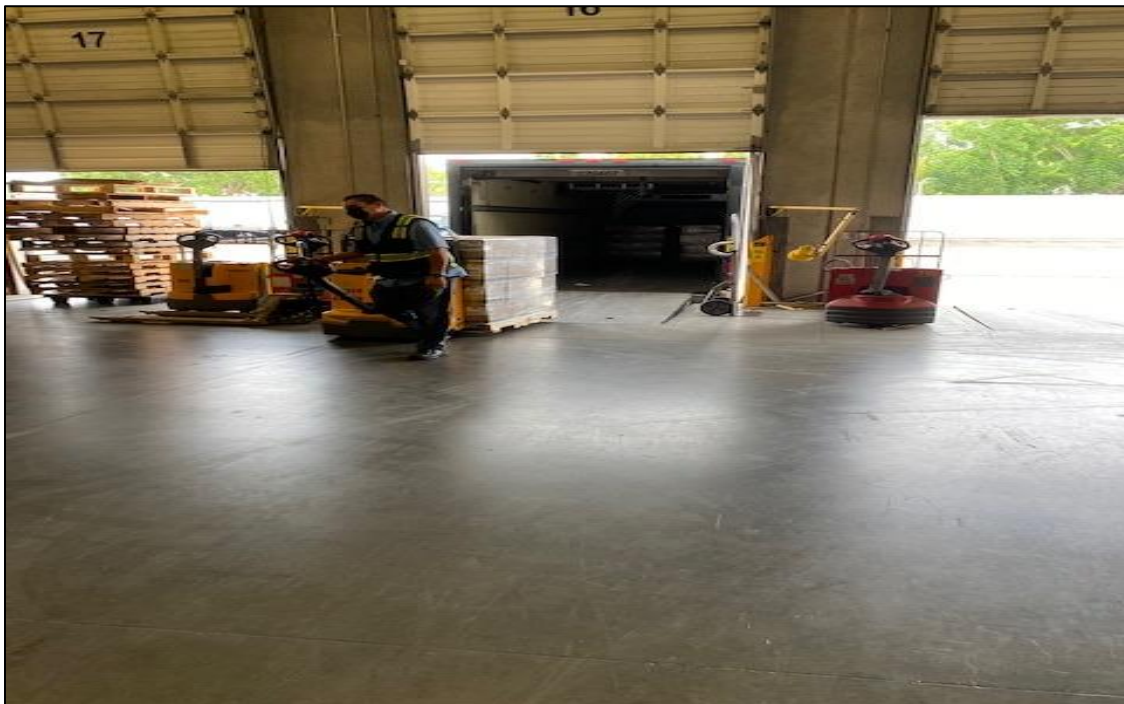


Photo No. 2: Sysco driver unloading the products.



**Audit of Sysco Los Angeles, Inc.
Contract No. 4400007776**



Photo No.3: District's warehouse staff inspecting and counting the delivered products.

Audit Team

This audit was performed by the following auditors:

Stella Lai, Audit Manager
Esther Gabriel, Principal Auditor



Los Angeles Unified School District Office of the Inspector General

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Independent Auditor's Report

We have examined the amounts billed by Sysco Los Angeles, Inc. (Sysco) under contract number 4400007776 (contract) for the period from September 11, 2019, through May 27, 2021, and Sysco's compliance with the terms and conditions of the contract. Sysco Los Angeles, Inc.'s management is responsible for the amount 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 Sysco'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 Sysco under the contract for the period September 11, 2019, through May 27, 2021, were billed at rates in accordance with the contract's terms and conditions, in all material respects, and the billed products were delivered to the District. Our examination also determined the following:

- Sysco has not paid any volume rebates related to purchases made by the District during that period because the threshold for volume rebates have not been reached.
- The District did not take any early payment discounts because the payments were not eligible for early payment discount.

Austin E. Onwualu

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

September 28, 2021

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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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