



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

**Audit Report of RMI-Airdyne, Inc.  
Contract No. 4400006327**

**CA 22-1331**

**March 24, 2022**



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

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**Salvatore Randazzo**  
*Interim Inspector General*

March 24, 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

RE: RMI-Airdyne, Inc. - Contract No. 4400006327

Dear Ms. Reece,

This is the final report on our audit of Contract No. 4400006327 awarded to RMI-Airdyne, Inc. to provide walk-in refrigerators and freezers.

Please contact our office if you have any questions.

Sincerely,

***Austin E. Onwualu***

Austin Onwualu, CPA, CIG  
Deputy Inspector General, Audits

***Salvatore Randazzo***

Salvatore Randazzo  
Interim Inspector General

Attachment

c: Richard Lui  
Cheri Thomas

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## **Audit of RMI-Airdyne, Inc. Contract No. 4400006327**

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### **Introduction**

The Office of the Inspector General (OIG) audited Contract Number 4400006327 (Contract) awarded by the Los Angeles Unified School District (District) to RMI-Airdyne, Inc. (RMI-Airdyne). The contract was for RMI-Airdyne to provide walk-in refrigerators and freezers to various schools.

The contract term was initially from May 1, 2018 through April 30, 2021 and was extended to April 30, 2022. RMI-Airdyne has billed the District a total of \$1,192,267 for walk-in refrigerators and freezers purchased by the District for 41 schools during the period from the inception of the contract through August 31, 2021.

### **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) RMI-Airdyne paid one percent (1%) volume rebate on the total pre-tax sales price of all purchases as required by the Contract, and (iii) the District took the cash discount offered by RMI-Airdyne when applicable.

### **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 RMI-Airdyne's management about their internal controls and business operations
- Visited a sample of schools, measured the dimensions of the installed walk-in refrigerators and freezers
- Compared the measured dimensions with the dimensions shown on final approved drawings
- Calculated the billable size based on dimensions from site visits and final approved drawings and compared these with the actual bill size
- Validated the billed unit prices against the contract authorized unit prices and calculated the overbilled amount due to incorrect unit prices billed
- Verified the mathematical accuracy of the invoice amounts
- Reviewed the taxes collected to determine if they were allowable
- Reviewed RMI-Airdyne's proof of delivery and/or District's receiving documents for the billed items
- Calculated the volume rebate payable to the District according to contract terms



## Audit of RMI-Airdyne, Inc. Contract No. 4400006327

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- Compared the paid volume rebate with the audit calculated volume rebate due and determined the underpaid volume rebate amount
- Calculated the interest for the late payment of the volume rebate
- Selected all invoices that the payments were made within 45 days of the invoice dates, but no cash discounts were deducted, and calculated the eligible cash discount amount not taken by the District

### 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's scope of work was to provide walk-in refrigerators and freezers to various District schools. Section III, Rate Schedule, of the Contract specified different unit prices for various walk-in refrigerators and freezers based on the type and the location. For any refrigerator or freezer unit, there was a fixed unit price for the unit with interior floor up to 50 square feet (sf) and a per square footage unit price for any additional area if the unit's interior floor area was larger than 50 sf.

To determine if the billed amounts were allowable and adequately supported, we visited 15 schools, measured the walk-in refrigerators and freezers in those 15 schools, compared the measured dimensions with the dimensions on the final approved drawings, calculated the actual size of the refrigerators and freezers and compared the actual sizes with the billed sizes. We found that the actual dimension of the walk-in refrigerators and freezers in these 15 schools were consistent with the dimensions on the final approved drawing. We then reviewed the final approved drawings for the walk-in refrigerators and freezers in the other 26 schools, calculated the billable areas based on the dimensions on the drawing, and compared those with the actual billed areas. Based on our site visits and review of final drawing, we found the billed areas were consistent with the actual areas.

We also reviewed all the invoices for the billed unit prices and found the exceptions below:

- For San Fernando HS, the interior cooler was billed at the price of the exterior cooler.
- For Cabrillo ES and West Vernon ES, the unit prices billed for extra tariff on additional area and exterior wainscot were \$23.71 and \$15, higher than the contract authorized unit prices of \$3.76 and \$7.79.

The total overbilled amount due to incorrect unit prices was \$1,251 after applicable tax and cash discount were taken. (See Appendix A for details)



## Audit of RMI-Airdyne, Inc. Contract No. 4400006327

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### **Recommendation**

We recommend that the District seek a refund of \$1,251 for the overbilled amounts.

### **PSD's Response**

PSD stated that it appeared that the overbilled amount of \$26,121 (in the Draft report) was overstated since the contract pricing for a refrigerator/freezer combo was based on a total 50 sf for the entire unit and not 50 sf each for the refrigerator and freezer. PSD will request the vendor to reimburse the District the adjusted overbilled amount.

### **RMI-Airdyne's Response**

RMI-Airdyne did not respond to the findings directly but explained the business operation process and stated that the purchase order is issued based on original dimensions provided from Owner's Authorized Representative at the District. RMI-Airdyne stated that they were told to bill based on original bid.

### **OIG's Response**

In the draft report, OIG questioned \$26,121 for overbilled additional area based on the understanding that the contract required minimum size for a refrigerator/freezer combo is 100 sf. PSD stated that the contract required size was 50 sf for the entire combo unit and is not 50 sf each for the refrigerator and freezer. We revisited the contract clause, met with PSD and M&O staff, obtained clarification and confirmation from M&O staff who was involved in the procurement of this contract and determined that the contract required minimum size was 50 sf for a refrigerator/freezer combo. We then re-examined the billable area for refrigerator/freezer combos, compared them with the billed area and found that the billed areas were consistent with the actual area. We revised the preliminary finding of \$26,121 for overbilling of additional area and questioned the overbilling of \$1,251 due to the use of incorrect unit prices.

### **2. Determination of whether RMI-Airdyne paid one percent (1%) volume rebate on the total sales price of all purchases as required by the Contract.**

Section II.A.6 of the Contract specifies that RMI-Airdyne shall pay the District a one percent (1%) volume rebate on the total sales price, excluding taxes, of all purchases shipped and billed pursuant to the Contract. This volume rebate shall be due and payable to the District within thirty (30) days of the end of each calendar quarter for products provided and billed during such calendar quarter. The Contract further required that all rebate dollar amounts not paid within thirty (30) days of the end of the previous calendar quarter shall bear interest at the rate of one and one-half percent (1.5%) per month until paid in full.



## **Audit of RMI-Airdyne, Inc. Contract No. 4400006327**

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During the audit, we found that RMI-Airdyne had not paid the District any volume rebate. Our audit found that the volume rebate on the total pre-tax sales price of all purchases shipped and billed pursuant to the Contract was \$10,902 and the interest for the volume rebate not paid on time as of October 2021 was \$4,373. Therefore, the total underpaid volume rebate and interest was \$15,275.

### **Recommendation**

We recommend that the District seek payment of \$15,275 from RMI-Airdyne for the underpaid volume rebate and interest accumulated for the volume rebate not paid as of October 2021.

### **PSD's Response**

PSD will request vendor to reimburse the District a total amount of \$14,938.

### **RMI-Airdyne's Response**

RMI-Airdyne did not respond to this finding.

### **OIG's Response**

In the draft report, OIG determined that the underpaid volume rebate and associated interest to be \$14,938 and PSD responded that they would request the vendor to reimburse the questioned amount. However, since the questioned overbilling of \$26,121 was revised in this final report, the total amount that was subject to volume rebate increased by \$26,121. Therefore, the underpaid volume rebate and associated interest increased to \$15,275.

### **3. Determination of whether the District took the cash discount offered by RMI-Airdyne when applicable.**

RMI-Airdyne offered a cash discount of 2% for payments made within 45 days on its bid to the District. Our review of the payment record found that the District had taken the cash discount when applicable.

### **Audit Team**

This audit was performed by the following auditors:

Rey Bejerano, Audit Manager  
Shelly Guo, Principal Auditor





## Audit of RMI-Airdyne, Inc. Contract No. 4400006327

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### Independent Auditor's Report

We have examined the amount billed by RMI-Airdyne, Inc. (RMI-Airdyne) under Contract Number 4400006327 (Contract) for the period from May 1, 2018 through August 31, 2021, RMI-Airdyne's compliance with volume rebate payments and District's deduction of cash discounts when applicable. RMI-Airdyne's management is responsible for the amounts billed and for complying with volume rebate payment requirements. 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 RMI-Airdyne'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 RMI-Airdyne's compliance with the specified requirements.

RMI-Airdyne did not provide written representations pertaining to this examination.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain RMI-Airdyne's written representations, the amounts billed were allowable and adequately supported in accordance with the terms of the Contract in all material respects.

However, our examination found that RMI-Airdyne overcharged the District by \$1,251 for billed incorrect unit prices. We also found that RMI-Airdyne underpaid volume rebate and the interest for the late payment in the amount of \$15,275. The findings totaling \$16,526 are described in the Results of Audit section of this report.

***Austin E. Onwualu***

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Austin Onwualu, CPA, CIG  
Deputy Inspector General, Audits

November 18, 2021





**Audit of RMI-Airdyne, Inc.  
Contract No. 4400006327**

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APPENDIX



**Audit of RMI-Airdyne, Inc.  
Contract No. 4400006327**

**Appendix A**

**Questioned Amount due to Incorrect Unit Price Billed**

No.	School Name	Item Description	Quantity Billed	Unit Price Billed	Unit Price per Audit	Overbilled Amount - Pretax	Overbilled Amount - Aftertax	Cash Discount Taken	Total Overbilled Amount	Note
9	Cabrillo ES	25% tariff on steel per additional sq foot of walk-in cooler or freezer box	15.00	\$ 23.71	\$ 3.76	\$ 299.25	\$ 299.25	\$ 5.99	\$ 293.27	1
30	San Fernando HS	Refrigerator, Indoor, 50 Sq. Ft. interior floor area	1.00	\$ 13,175.00	\$ 12,810.00	\$ 365.00	\$ 399.68	\$ 7.99	\$ 391.68	
40	West Vernon ES	25% tariff on steel per additional sq foot of walk-in cooler or freezer box	25.00	\$ 23.71	\$ 3.76	\$ 498.75	\$ 498.75	\$ 9.98	\$ 488.78	1
40	West Vernon ES	25% tariff on steel per linear foot of exterior wainscot	11.00	\$ 15.00	\$ 7.79	\$ 79.31	\$ 79.31	\$ 1.59	\$ 77.72	1
<b>Total Overbilled Amount</b>									<b>\$ 1,251</b>	

Note 1: Sales tax is not applicable for this item.



**Audit of RMI-Airdyne, Inc.  
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**Appendix B**

**INTER-OFFICE CORRESPONDENCE  
Los Angeles Unified School District**

**TO:** Austin Onwualu, Deputy Inspector General      **Date:** January 25, 2022  
Office of the Inspector General

**FROM:** Judith Reece, Chief Procurement Officer  
Procurement Services Division *Judith Reece*

**SUBJECT:** **RESPONSE TO DRAFT AUDIT REPORT OF RMI-AIRDYNE, INC. –  
CONTRACT NO. 4400006327)**

Procurement Services Division (PSD) is in receipt of the above-referenced draft incurred cost audit report dated December 13, 2021. Below is an outline of our responses to the audit findings and recommendations.

**Recommendation #1:** We recommend that the District seek a refund of \$27,372 for the overbilled amounts.

**Response:** It appears the overbilled amount of \$26,121 is overstated since the contract pricing for a refrigerator combo is based on a total 50 square foot for the entire unit and not 50 square feet each for the refrigerator and freezer. Procurement Services Division will request vendor to reimburse the District the adjusted overbilled amount.

**Recommendation #2:** We recommend that the District seek a payment of \$14,938 from RMI-Airdyne for the underpaid volume rebate and interest not paid as of October 2021.

**Response:** Procurement Services Division will request vendor to reimburse the District a total amount of \$14,938.

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

JR:rl

c: Robert Laughton



## Audit of RMI-Airdyne, Inc. Contract No. 4400006327

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### Appendix C

**From:** [Tony Bedi](#)  
**To:** [Padi, Ambition](#)  
**Cc:** [Bejerano, Rey](#); [Guo, Haiying](#)  
**Subject:** RE: Draft Audit Report of RMI-Airdyne, Inc., Contract No. 4400006327.  
**Date:** Thursday, January 13, 2022 8:56:58 AM  
**Attachments:** [image001.png](#)

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**CAUTION: EXTERNAL EMAIL**

Good Morning Ambition,

The procedure is we get the dimensions from OAR, we bid the job based on the information provided to Airdyne. After we receive the order we demo the existing walk in cooler or freezer if we are hired to install the equipment. After existing equipment is removed we measure the area, we meet with OAR to verify existing building condition, we create a drawing based on what OAR decides on new box, sometimes the new box is bigger in size then originally quoted, other times it may be few inches smaller, we create the drawing based on actual conditions on the job site, once the drawing is signed off we build the box, if we are hired to install the box we will install the box based on signed drawings.

The purchase order is issued based on original dimensions provided to us from OAR at LAUSD. We are told to bill based on original bid.

Regards,

**Tony Bedi**



**Refrigerator Manufacturers, LLC**

**Airdyne Refrigeration**

17018 Edwards Rd.

Cerritos, CA 90703

Phone: (562) 645-4668

Fax: (562) 926-2007

[www.RMI-Airdyne.com](http://www.RMI-Airdyne.com)

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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  
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](mailto:inspector.general@lausd.net)