



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

**Audit Report
of
Terraphase Engineering, Inc.
Contract No. 1790078/4400005514**

CA 22-1344

June 1, 2022



**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

Alberto M. Carvalho
Superintendent of Schools

Salvatore Randazzo
Interim Inspector General

June 1, 2022

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: Terraphase Engineering, Inc. - Contract No. 1790078/4400005514

Dear Ms. Reece:

This is the final report on our audit of Terraphase Engineering, Inc. - Contract No. 1790078/4400005514.

Please contact our office if you have any questions.

Sincerely,

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

Salvatore Randazzo
Interim Inspector General

Attachment

c: Richard Lui
Cheri Thomas



**Audit of Terraphase Engineering, Inc.
Contract No. 1790078/4400005514**

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Audit of Terraphase Engineering, Inc. Contract No. 1790078/4400005514

Introduction

The Office of the Inspector General (OIG) audited contract number 1790078/4400005514 (contract) awarded by the Los Angeles Unified School District (District) to Terraphase Engineering, Inc. (Terraphase) for environmental site assessment services. The contract had a not-to-exceed cost of \$2,000,000 and a contract term from April 1, 2017, to March 31, 2022.

Scope and Objectives

The objectives of our examination were to determine the following: (1) whether the amounts billed were adequately supported and allowable according to the contract terms and conditions and (2) whether deliverables were submitted in accordance with the work authorizations.

Our examination covered the period from April 1, 2017, through January 24, 2022.

Methodology

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

- Interviewed the District's Office of Environmental Health and Safety (OEHS) Management/Staff to obtain an understanding of the District's internal controls and processes
- Inquired with Terraphase's management about their internal controls and business operations
- Determined the total amount paid for the audit period and reconciled to Terraphase's payment records
- Validated the number of direct labor hours billed against timesheets and payroll registers
- Verified that the hourly billed rates were authorized by the contract, and validated the labor classification per invoice against the certification(s) of key personnel and authorized Fee Schedule
- Verified that consultant work was performed by the proposed consultants outlined in the work authorizations, reviewed the costs incurred against the consultants' billings, and validated proof of payments to the consultants for the work performed
- Validated that direct reimbursable costs were properly authorized and supported, and did not include any mark-up
- Verified that the total amount billed did not exceed the total compensation allowed for each work authorization and/or amendments
- Reviewed the technical reports/memorandums that were issued to determine whether the deliverables were in accordance with the work authorizations
- Confirmed with OEHS that the submitted deliverables were approved by the District



Audit of Terraphase Engineering, Inc. Contract No. 1790078/4400005514

Results of Audit

1. Determine whether the amounts billed were adequately supported and allowable according to the contract terms and conditions.

The District paid Terraphase 199 invoices totaling \$1,279,255 for the period from April 1, 2017 to January 24, 2022. We selected a statistical sample of 30 paid invoices totaling \$560,823, 44% of total amount paid, within the audit scope period for detailed testing. Of the total amount paid, \$313,308, or 56%, was for professional site assessment services performed by Terraphase's personnel; \$232,567, or 41%, was for sub-contracted services such as laboratory analysis, geophysical surveys, waste transportation and disposal, and field equipment rental; the remaining \$14,948, or 3%, was for other direct costs such as field supplies and equipment, and mileage reimbursement. A summary of the total amount tested by cost category is presented in the following table.

Cost Category	Total	Percentage of Total Amount Billed
Professional Personnel	\$ 313,308	56%
Sub-Consultant	232,567	41%
Other Direct Costs	14,948	3%
Total Amount Billed	\$ 560,823	100%

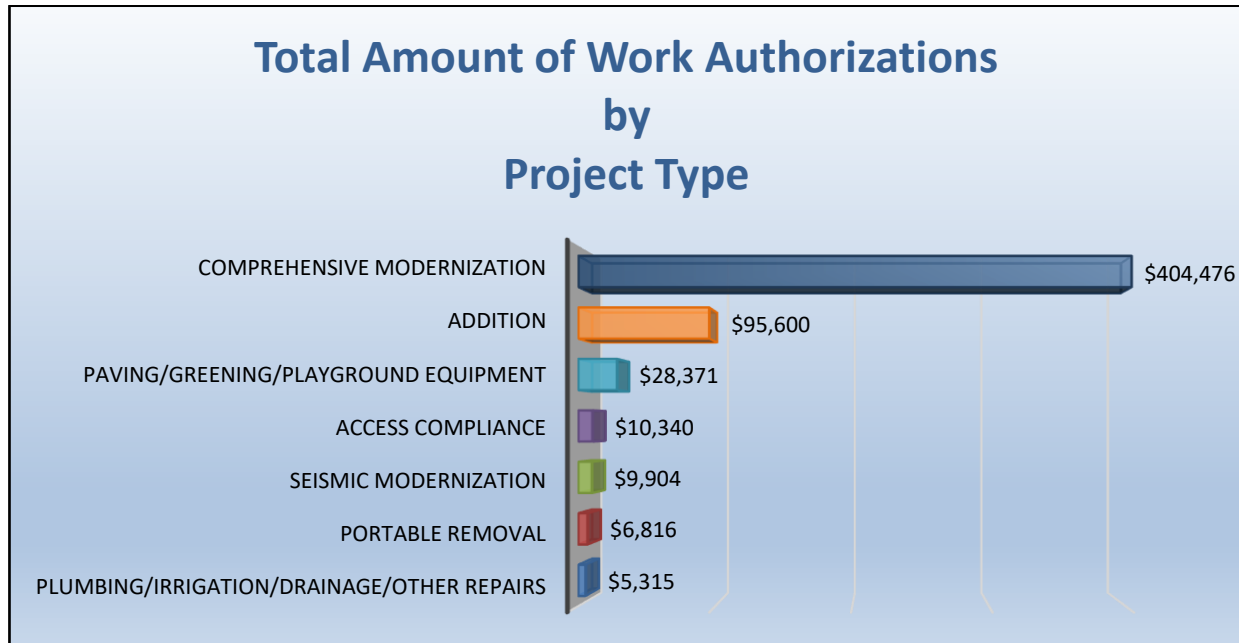
Our testing of all 30 invoices found that the amounts billed for the audit period were supported and allowable by the contract.

2. Determine whether deliverables were submitted in accordance with the work authorizations.

Terraphase was required to perform specific site assessment services and/or tasks as outlined in the contract's scope of services upon the issuance of a written work authorization by OEHS. In addition to the required deliverable, each work authorization also specified a not-to-exceed dollar amount and a period for completion. The types of projects for which services were provided included comprehensive modernization, addition, paving/greening/playground equipment installation, access compliance, seismic modernization, portable removal, and plumbing/irrigation/drainage/other repairs. The following table shows the total amount of the work authorizations awarded to Terraphase by project type.



Audit of Terraphase Engineering, Inc. Contract No. 1790078/4400005514



A total of 15 work authorizations were associated with the 30 invoices that were tested. The work authorizations required Terraphase to submit deliverables to communicate their assessment results, conclusions, findings, and/or recommendations upon completion of the services. Those deliverables included soil sampling reports, preliminary environmental assessment-equivalent (PEA-E) reports, Phase 1 environmental site assessment reports, phase I polychlorinated biphenyls (PCBs) assessment reports, and removal action completion reports. The work authorizations and the required deliverables are listed on Exhibit I.

Our review of the deliverables submitted for all 15 work authorizations determined that Terraphase provided the services in accordance with the work authorization requirements and that the deliverables were submitted within the required period of performance. For those work authorizations which required additional/change in the scope of work, we also determined that the increase in fundings were authorized by the District and that all amendments were properly executed. Additionally, we confirmed with OEHS that all deliverables were approved by the District.

Audit Team

This audit was performed by the following auditors:

Stella Lai, Audit Manager
Joanna Vuong, Principal Auditor
Rachel Chow, Senior Auditor
Lurline Garrett, Senior Auditor



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Independent Auditor's Report

We have examined the amounts billed by Terraphase Engineering, Inc. (Terraphase) under contract number 1790078/4400005514 (contract) for the period from April 1, 2017 through January 24, 2022, and Terraphase's compliance with the terms and conditions of the contract. Terraphase'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 Terraphase'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 Terraphase for the period from April 1, 2017 through January 24, 2022, were adequately support and allowable, and the submitted deliverables were in accordance with the work authorizations, in all material respects.

Austin E. Onwualu

Austin Onwualu, CPA, CIG
Deputy Inspector General, Audits

May 25, 2022

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Inspector.general@lausd.net

EXHIBIT I

DELIVERABLE BY WORK AUTHORIZATION AND PROJECT				
No.	Work Authorization No.	Project Name	Deliverable	Total Amount Billed
1	E-300514-1TEI	Jordan High School - Redevelopment	Removal Action Completion (RAC) Report	\$ 197,817
2	E-307881-1TEI	El Sereno Middle School - ADA Improvements	Soil Sampling for Rule 1466 Compliance Technical Memorandum	10,340
3	E-307898-1TEI	Verdugo Hills High School - Plumbing Utilities Upgrades	Soil Sampling for Rule 1466 Compliance Technical Memorandum	668
4	E-307962-1TEI	Belvedere Middle School - Paving	Results of Soil Sampling Activities Report	26,356
5	E-308101-1TEI	Jefferson High School - Comprehensive Modernization	Polychlorinated Biphenyls (PCBs) Phase I Assessment Reports - Total of 5 reports were issued	69,524
6	E-308624-2TEI	West Adams Preparatory High School - Synthetic Turf Field	Soil Sampling for Rule 1466 Compliance Technical Memorandum	2,015
7	E-308819-1TEI	Hamilton High School - Comprehensive Modernization	Preliminary Environmental Assessment-Equivalent (PEA-E) Report	135,855
8	E-308819-2TEI	Hamilton High School - Comprehensive Modernization	Preliminary Environmental Assessment-Equivalent (PEA-E) Report	1,281
9	E-309294-1TEI	Rosemont Elementary School - Seismic Retrofit & HVAC in Main Building	Polychlorinated Biphenyls (PCBs) Phase I Assessment Report	9,563
10	E-309298-1TEI	Garvanza Technology & Leadership Magnet Elementary School - Seismic Retrofit of Main Building	Polychlorinated Biphenyls (PCBs) Phase I Assessment Report	341
11	E-309773-1TEI	Canyon Charter Elementary School - Classroom Replacement	Preliminary Environmental Assessment-Equivalent (PEA-E) Report and Methane Survey Report	59,225
12	E-310112-1TEI	Wilson High School- Visual and Performing Arts Facilities Improvement	Preliminary Environmental Assessment-Equivalent (PEA-E) Report	35,775
13	E-310772-1TEI	Verdugo Hills High School - New Science Lab	Phase I Environmental Site Assessment Report and Soil Sampling Plan	601
14	E-311447-1TEI	Catskill Elementary School - Portable Removal	Polychlorinated Biphenyls (PCBs) Phase I Assessment Report	6,816
15	E-SUNVALLEY-1TEI	Sun Valley Garage - Repair Hydraulic Hoists	Hydraulic Hoist Replacement and Soil Sampling Activities Technical Memorandum	4,647
TOTAL				\$ 560,823

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Maybe you know something about fraud, waste, or some other type of abuse in the school district.

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
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