

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

**Incurred Cost Audit
California Certificated
Construction and Electrical, Inc.
Contract No. 440010524**



**CA 25-1445
April 15, 2025**

**Sue Stengel
Inspector General**





Los Angeles Unified School District Office of the Inspector General

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Inspector General

April 15, 2025

Mr. Matthew Friedman
Chief Procurement Officer
Procurement Services Division
Los Angeles Unified School District
333 S. Beaudry Avenue, 28th Floor
Los Angeles, CA 90017

RE: California Certified Construction & Electrical, Inc.
Contract No. 2210027/4400010524

Dear Mr. Friedman:

This is the final report on our audit of California Certified Construction & Electrical, Inc. - Contract No. 2210027/4400010524.

Please contact our office if you have any questions.

Sincerely,

Mark H. Pearson
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Mark H. Pearson, CPA, CFE, CIGA
Assistant Inspector General

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Sue Stengel, Esq., CIG
Inspector General

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Dana Greer, Deputy Chief Procurement Officer
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Audit of California Certified Construction and Electrical, Inc. Contract No. 2210027/4400010524

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) audited Contract No. 2210027/4400010524 (Contract) awarded to California Certified Construction and Electrical, Inc. (CCCE) for the Graham Elementary School ADA Barrier Removal Project. This audit was conducted to assess CCCE's compliance with the contract and enhance transparency and accountability in the change order process.

Key Conclusions:

- CCCE invoiced \$2,882,749 as of August 13, 2024, representing 100% of the revised contract amount. All invoiced costs were determined to be allowable, properly supported, and based on the percentage of construction work completed as listed in the Schedule of Values (SOV).¹
- The District issued 39 change orders with a combined value of \$493,749 under the Contract, increasing the contract value by 20.7%. Our review of a sample of 24 change orders (which total \$402,724 and amounted to about 82% of the total value of 39 change orders) found that the change orders were awarded according to Facilities Services Division's policies and procedures.
- CCCE completed the scope of work according to the terms and conditions of the Contract. Completion was confirmed through the Certificate of Substantial Completion,² the Notice of Contract Completion & Acceptance, and a site walkthrough.

INTRODUCTION

On May 5, 2022, the District executed Contract No. 2210027/4400010524 with California Certified Construction and Electrical, Inc. for the Graham Elementary School ADA Barrier Removal Project. The project's scope of work included modifying nine restrooms, correcting nine major path of travel slopes, installing four drinking fountains, installing classroom doors and hardware and thresholds, modifying the sinks and cabinets in the STEM classroom and Nurse's office, adding a lift and two front rows of assembly seating at the Auditorium, and modifying the cafeteria service counter area to comply with the Americans with Disabilities Act³ (ADA). The contract had an original amount of

¹ The Schedule of Values is a comprehensive document that lists every billable item or task in a construction project along with its corresponding dollar value.

² Substantial completion is realized when the contracted scope of work can be fully utilized and occupied by the District for its intended purpose except for minor outstanding items; the District's Office of Environmental Health and Safety Essential Safety Checklist is completed; all permits, approvals, and certificates by governmental authorities required to occupy and use the work have been issued; and all systems included in the scope of work are installed and operational as specified, all required inspections and certifications have been made and posted, and instruction of District personnel in the operation of such systems has been completed.

³ Title II of the Americans with Disabilities Act is a federal law prohibiting state and federal governments, such as public school districts, from discriminating against persons with disabilities. The ADA requires school districts to ensure that students and others with disabilities, including parents, are not denied access to programs or activities because of inaccessible facilities, including academic buildings, walkways, restrooms, athletic facilities, and parking spaces.



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\$2,389,000. During construction, the District issued 39 change orders⁴ totaling \$493,749 to CCCE, increasing the contract value by 20.7% to \$2,882,749. The project was completed, and the District accepted it on July 19, 2023.

SCOPE AND OBJECTIVES

The objectives of our examination were to determine whether:

1. The amounts billed by CCCE were adequately supported and allowable according to the Contract's terms and conditions, and whether CCCE completed the Contract's scope of work.
2. The change orders were executed according to Facilities Services Division's (FSD) change order policies and procedures.

Our examination covered the \$2,882,749 billed for the contract work through August 13, 2024.

METHODOLOGY

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

- Interviewed District staff to obtain an understanding of the District's internal control process for construction projects.
- Interviewed the project's Owner Authorized Representative⁵ (OAR) to obtain an understanding of the Contract's scope of work and the status of the project.
- Interviewed CCCE's management about their internal controls and business operations.
- Examined payment applications to ensure they were reviewed and approved by District personnel. This included a review of the project's SOV, the percentage of completion, and the amount billed for each line item of work, as well as the total retainage for each Application for Payment submitted to the District.
- Reviewed District policies and procedures for approving and issuing change orders.
- Verified that project change order packages were properly authorized by the District representative, that proposed amounts were supported by a district-prepared Fair Cost Estimate⁶ (FCE) and a contractor cost proposal, and that the final negotiated costs were justified based on

⁴ A Change Order is a written instrument confirming a change or adjustment to the contract amount, milestones, and/or contract time and/or addition, deletion, or revision in the work.

⁵ The Owner Authorized Representative is the designated authorized representative of the owner (District) who administers the contract.

⁶ A Fair Cost Estimate is a separate, independent estimate of the cost and time impact of the proposed change order prepared by the OAR, Project Estimator, or the Estimating Unit.



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the required scope of work.

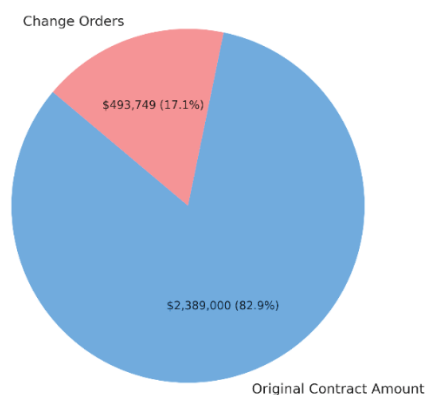
- Reviewed available inspection reports to substantiate progress claimed on the payment applications.
- Reviewed approved change orders to verify that the correct bond fee was charged based on the contractor's actual project bond cost percentage.
- Conducted a site visit at Graham Elementary School with the project's OAR to verify that the barrier removal project was completed according to the project's scope of work.

RESULTS OF AUDIT

- 1. The amounts billed by CCCE were adequately supported and allowable according to the Contract's terms and conditions in all material respects, and CCCE completed the Contract's scope of work.**

The original budget for the project was an all-inclusive price of \$2,389,000. From contract inception through August 13, 2024, the District issued 39 change orders totaling \$493,749, increasing the contract value to \$2,882,749. This increase represented a 20.7% change from the original contract amount. The following chart shows the breakdown of the total contract between the original contract amount and the portion attributable to the change orders.

Breakdown of Total Contract Value (\$2,882,749)



As of August 13, 2024, the date the final invoice was submitted, CCCE invoiced the District \$2,882,749, the full amount of the contract. This total was based on the percentage of completion of the construction line items on the SOV. To determine whether the work was completed in accordance with the Contract, we reviewed the Notice of Contract Completion & Acceptance and the Certificate of Substantial Completion. Both documents were properly signed.



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In addition, we conducted a walkthrough of the project site with the OAR to see that the work had been completed.

Photographs of the completed work are provided in Exhibit A.

Based on our review of the final invoice, supporting documentation, and verification of completed work, we determined that the total amount billed by CCCE as of August 13, 2024, was consistent with the contract terms and appropriately reflected the work completed and deliverables submitted.

2. The change orders were executed according to Facilities Services Division's change order policies and procedures.

As of August 13, 2024, FSD awarded 39 change orders totaling \$493,749. We selected 24 change orders, totaling \$402,724 (or 82% of the total value), for review. For each of these change orders, we examined the following:

- (i) Documentation initiating the change order, such as requests for proposals, construction directives, and DSA-approved construction changes.
- (ii) The District's FCE.
- (iii) CCCE's change order proposal, including supporting documents for labor, materials, equipment, and subcontractor estimates.
- (iv) Record of negotiation.
- (v) Proper authorization and approval from District representatives.

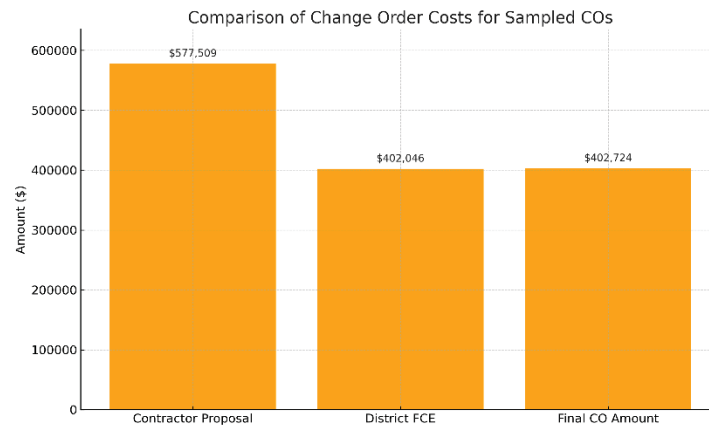
The following are the results of our review and analysis:

- The final negotiated amounts were, on aggregate, nearly equal to the District's FCEs and significantly lower (30%) than the amounts originally proposed by the contractor.

The following chart compares the total proposed change order costs submitted by CCCE, the District's FCEs and the final negotiated change order amounts for the 24 sampled change orders.



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- The final negotiated amounts for 23 out of the 24 change orders matched the District's FCEs.
- For one change order, the final change order amount of \$28,068 was \$678 (2.5%) higher than the FCE of \$27,390 while still significantly lower than the contractor's proposed price of \$42,128. Since the plumbing work was performed on Saturday and Sunday at the school's urgent request, the OAR accepted the proposed price for the plumbing scope instead of using the plumbing estimate included in the FCE. All other parts of the change order price matched the FCE.
- The mark-up on construction costs was calculated and found to be in compliance with contract terms. The markup applied to self-performed work and subcontracted work adhered to the allowable percentages of 15% and 5%, respectively.
- The pay and performance bond costs charged were allowable and properly supported.

Based on our review, we concluded that the change orders were executed according to FSD's policies and procedures.

AUDIT TEAM

This audit was performed by the following auditors:

Stella Lai, Audit Manager
Luceli Ceja, Principal Auditor
Rachel Chow, Senior Auditor



Los Angeles Unified School District Office of the Inspector General

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Tanya Ortiz Franklin
Members of the Board

Alberto M. Carvalho
Superintendent

Sue Stengel
Inspector General

Independent Auditor's Report

We have examined the amounts billed by CCCE Construction Co. (CCCE) under Contract No. 4400008306 (Contract) and CCCE's compliance with the terms and conditions of the Contract. CCCE's management is 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 CCCE'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 of CCCE's compliance with the specified requirements.

In our opinion, the amount billed by CCCE against the Contract was supported and allowable in accordance with the contract terms and conditions, in all material respects. The scope of work was completed in compliance with the terms and conditions of the Contract. In addition, the project change orders were also found to be executed according to FSD's change order policies and procedures.

Mark H. Pearson
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Mark H. Pearson, CPA, CFE, CIGA
Assistant Inspector General

March 6, 2025

Exhibit A – Pictures of Completed Work

Classroom Buildings



Outdoor drinking fountains and railings



Outdoor drinking fountains and railings



Indoor drinking fountains and railings



Indoor drinking fountains and railings

Exhibit A – Pictures of Completed Work

Classroom Buildings



STEM classroom sink and cabinets



Lab sink and cabinets



Path of travel



Path of travel

Exhibit A – Pictures of Completed Work

Classroom Buildings



Accessible restroom signage



Door & hardware and accessible signage



ADA compliant sink



ADA compliant toilet

Exhibit A – Pictures of Completed Work

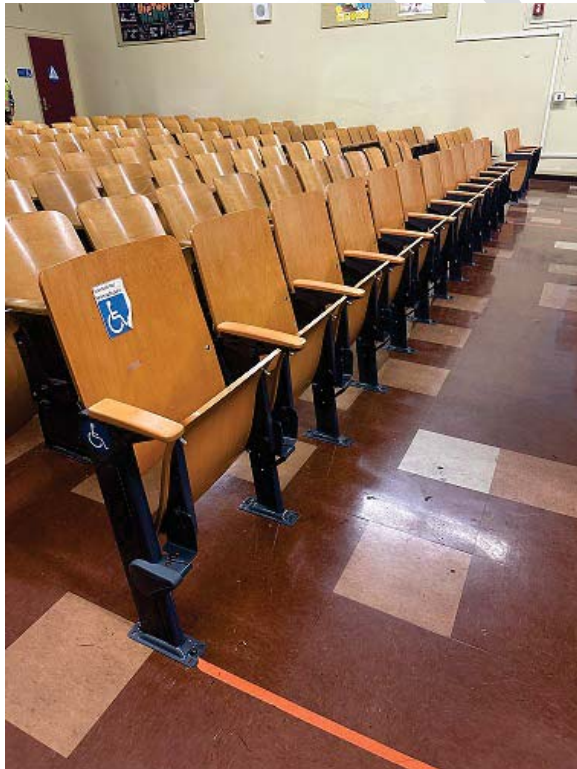
Auditorium Building



Entry door and hardware



Accessible signage



Auditorium seating



Auditorium seating

Exhibit A – Pictures of Completed Work

Auditorium Building



Stage lift



All-gender restroom door & hardware, and signage



All gender restroom



All gender restroom

Exhibit A – Pictures of Completed Work

Health Office



Door and hardware



Accessible signage



Sink and cabinets



All gender restroom inside health room

Exhibit A – Pictures of Completed Work

Cafeteria Building



Door and hardware



Signage

Know about fraud, waste, or abuse?

Tell us about it.

Maybe you are a school District employee, a parent, or just a concerned citizen. Regardless, you can make a difference!

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 ensure the reporting of any activity that threatens the efficient administration of the LAUSD reports that disclose improper governmental activities shall be kept confidential.

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