



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

**Audit Report of Hensel Phelps Construction Company  
Contract No. 1710027/4400005798, COT-588**

**CA 20-1251**

**July 09, 2020**



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

---

**Dr. Richard A. Vladovic, Ed.D., President**  
**Jackie Goldberg**  
**Dr. George J. McKenna III**  
**Mónica García**  
**Scott M. Schmerelson**  
**Nick Melvoin**  
**Kelly Gonez**  
*Members of the Board*

**Austin Beutner**  
*Superintendent of Schools*

**William Stern**  
*Inspector General*

July 9, 2020

Ms. Judith Reece, Chief Procurement Officer  
Procurement Services Division  
Los Angeles Unified School District  
333 S. Beaudry Avenue, 28<sup>th</sup> Floor  
Los Angeles, CA 90017

RE: Audit of Hensel Phelps Construction Company  
Contract No. 1710027/4400005798 CO T-588

Dear Ms. Reece:

This is the report of our audit of Change Order No. T-588 of Contract No. 1710027/4400005798 awarded to Hensel Phelps Construction Company (HPCC) for making modifications to the design and construction of the track and football field in Venice High School.

Please contact our office if you have any questions.

Sincerely,

***Austin E. Onwualu***

---

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

***William Stern***

---

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

c: Richard Lui  
Cheri Thomas

## TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Introduction.....	2
Scope and Objectives .....	2
Methodology.....	2
Results of Audit.....	2
Audit Team.....	3



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

---

Richard A. Vladovic, Ed.D., President  
Jackie Goldberg  
Dr. George J. McKenna III  
Mónica García  
Scott M. Schmerelson  
Nick Melvoin  
Kelly Gonez  
*Members of the Board*

**Austin Beutner**  
*Superintendent of Schools*

**William Stern**  
*Inspector General*

### Independent Auditor's Report

We have examined the change order costs awarded by the Los Angeles Unified School District (District) to Hensel Phelps Construction Company (HPCC) under Contract No 1710027/4400005798, Change Order No. T-588 (Change Order). HPCC's management is responsible for the change order and complying with the contract terms and conditions in the preparation of the change order proposal. 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 HPCC'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 HPCC's compliance with the specified requirements.

In our opinion, the proposed change order costs were adequately supported, fair and reasonable, and the Facilities Services Division's change order procedures were complied with in the execution of the change order.

***Austin E. Onwualu***

---

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

June 26, 2020



## **Audit of Hensel Phelps Construction Company Contract No. 1710027/4400005798 Change Order No. T-588**

### **Introduction**

The Office of the Inspector General (OIG) audited Change Order No. T-588 of Contract No. 1710027/4400005798 (Contract) awarded by the Los Angeles Unified School District (District) to Hensel Phelps Construction Company (HPCC) to make modifications to the design and construction of a track and football field in Venice High School.

On July 7, 2017, the District entered into the Contract with HPCC for the design and construction of Venice High School's Comprehensive Modernization Project. On October 23, 2017 and March 6, 2018, the District's Facilities Services Division (FSD) issued Design Build Directive (DBD) No. 01 and No. 07 and directed HPCC to include in the design and construction of a competition track, football field, and track and field event venues. In January 2020, FSD executed Change Order No. T-588 in the amount of \$1,379,000 to incorporate a competitive track and provide new lighting, new PA and AV system and new bleachers for the football field. FSD requested the OIG to verify that HPCC's proposed change order costs were fair and reasonable.

### **Scope and Objectives**

The objectives of the audit are to determine whether: (i) the change order amount is adequately supported, and reasonable; and (ii) the change order process complies with FSD Change Order Procedure.

### **Methodology**

To accomplish our examination objectives, we (i) interviewed District personnel to obtain an understanding of the scope of work of the change order, the change order proposal review process, and other matters relevant to this examination, (ii) discussed with District and HPCC's personnel to understand the breakdown of the cost proposal, (iii) reviewed the breakdown of the proposal cost, supporting documents of a sample of proposed costs, fair cost estimate and determined if those costs were adequately supported, and reasonable, and (iv) obtained understanding of District's Change Order Procedure, reviewed the documents included in the change order package and determined that the change order process complied with FSD's Change Order Procedures.

### **Results of Audit**

#### **I. Determination of whether the change order amount is adequately supported, and reasonable.**

HPCC's final proposal to the District was \$1,491,755 and the final negotiated amount was \$1,379,000. We reviewed the breakdown of the proposed amount and final negotiated amount and



**Audit of Hensel Phelps Construction Company  
Contract No. 1710027/4400005798  
Change Order No. T-588**

found that the proposed cost items and markup were allowable per the Contract General Conditions. We selected a sample of proposed subcontractor costs and reviewed HPCC's change orders with the subcontractors, subcontractors' quotes and HPCC's payment record for the purchase of the new lighting. We reviewed the bond rate statement issued by HPCC's insurance agent and the City of Los Angeles's Tax Rate Schedule for the proposed bond and gross receipt tax cost. We determined that the change order amount was adequately supported.

We reviewed the details of the fair cost estimate prepared by FSD cost estimator, interviewed the cost estimator and FSD project team, compared the fair cost estimate with HPCC's proposal and final negotiated amount and determined that the change order amount was fair and reasonable.

Based on our testing, we determined that the change order amount if adequately supported, fair and reasonable.

**II. Determination of whether the change order process complied with the Facilities Services Division's Change Order Procedure.**

We reviewed FSD's Change Order Procedures (Procedure), the change order package, interviewed the Owner's Authorized Representative and other District personnel, and found that the change order was approved by authorized personnel. We also determined that the District's fair cost estimate was prepared, negotiation meetings were conducted, and required documents were prepared and submitted. We determined that the change order process complied with FSD's Change Order Procedures.

**Audit Team**

This audit was performed by the following auditors:

Mindy Qu, Audit Manager  
Lurline Garrett, Senior Audit

## **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 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