



# *Office of the Inspector General*

*"Independent and Objective Oversight"*

**Presentation to the Facilities and Procurement Committee  
May 30, 2023**

**Sue Stengel  
Inspector General**

# OIG Background

- In 1998, the Board of Education (BOE) combined Auditors and Investigators to create a unit whose mission would be to detect and prevent fraud, waste, and abuse in District programs and operations.
- In 2000, the BOE renamed the unit to ***Office of the Inspector General*** (OIG) and the California State Legislature granted the OIG statutory authority under Education Code Sections 35400 & 35401.
- The creation of a strong, independent OIG was in response to public concerns over the “Belmont Learning Complex” project.
- The BOE also believed that an OIG would support their efforts to instill a culture of excellence and professionalism in LAUSD.

# Professional Standards

- The OIG performs its work in accordance with professional standards including the *Principles and Standards for Offices of Inspector General* and *Government Auditing Standards*.



*"The sheer size of the school district operations that your office oversees and your office's jurisdiction and responsibility to the children served is unparalleled by any other local government inspectors general office. Your office is unique..."*

2022 Peer Review Team

Association of Inspectors General

# OIG Mission

**To promote a culture of accountability, transparency, collaboration and integrity through the performance of audit and investigative services designed to drive continuous improvement, support effective decision making, and detect and deter waste, fraud and abuse.**

## Audits

- Performance Audits
- Contract Audits
- Special Reviews

## Investigations

- Investigations
- Due Diligence Reviews
- Background investigations

# Fraud, Waste, and Abuse

- **Fraud: Theft by deception for financial gain**

The crime of using dishonest methods to take something valuable from another person (or entity), such as employees who lie on their timesheet.

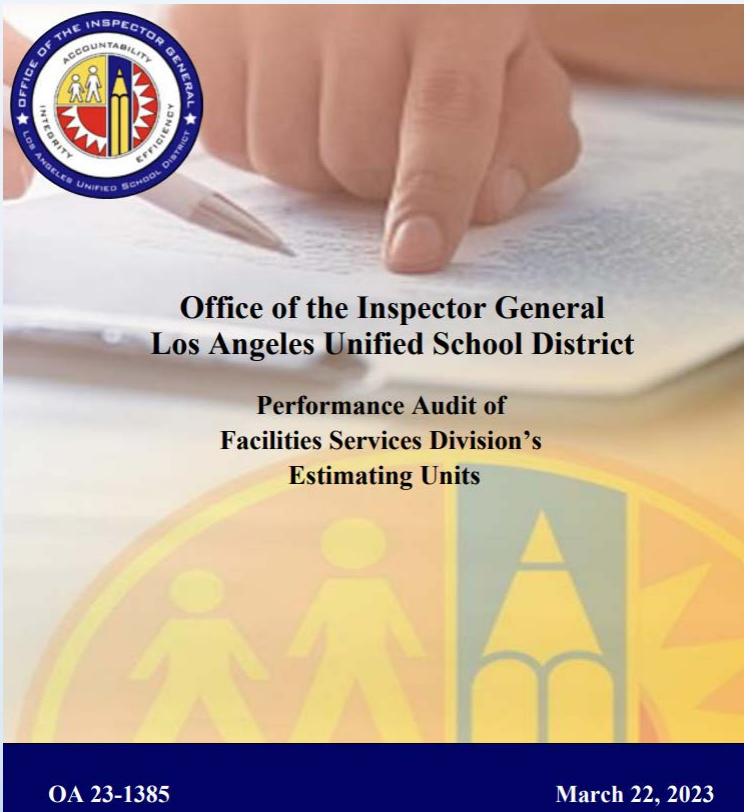
- **Waste: Ineffective or unnecessary use of funds or resources**

An action or use that results in the unnecessary loss of something valuable. For example, purchasing an over abundance of school supplies that are unnecessary and will never be used.

- **Abuse: “Gaming the system” to gain an unfair advantage**

Improper or excessive use; misuse or corrupt practice. For example, nepotism and conflicts of interest.

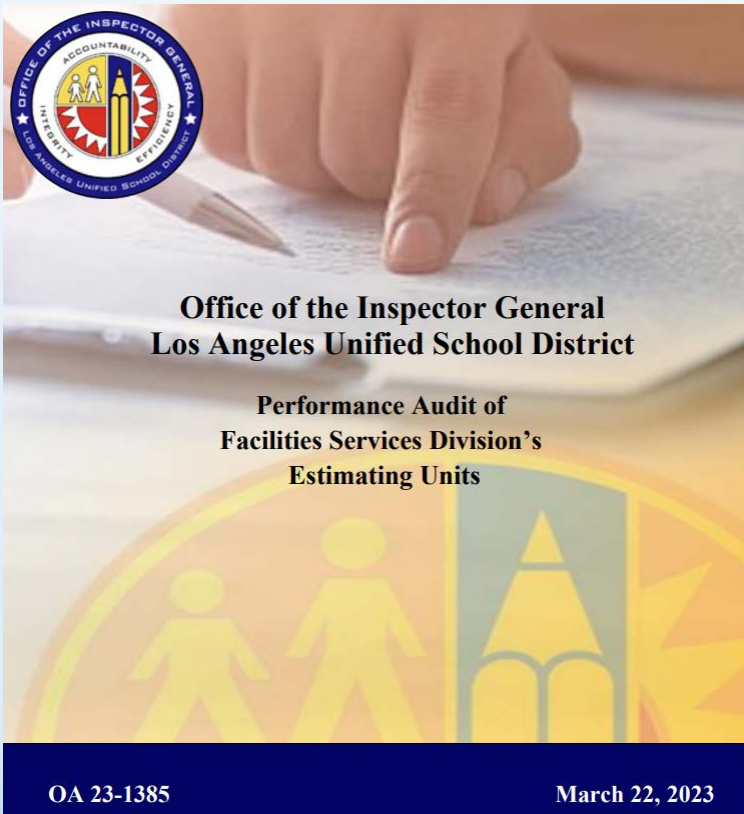
# Audit of FSD Estimating Units



Construction cost estimating is the process of forecasting the cost of building a physical structure. The District's two estimating units are organized as follows:

- Under Project Support Services, the unit (PSS EU) prepares construction cost estimates upon request from various FSD departments, mainly for construction projects in the **pre-construction phase**.
- Under Project Execution, the unit (PEX EU) creates and develops estimates during the **construction phase** after a contract has been awarded and primarily for change order proposals.

# Audit of FSD Estimating Units



The OIG analyzed:

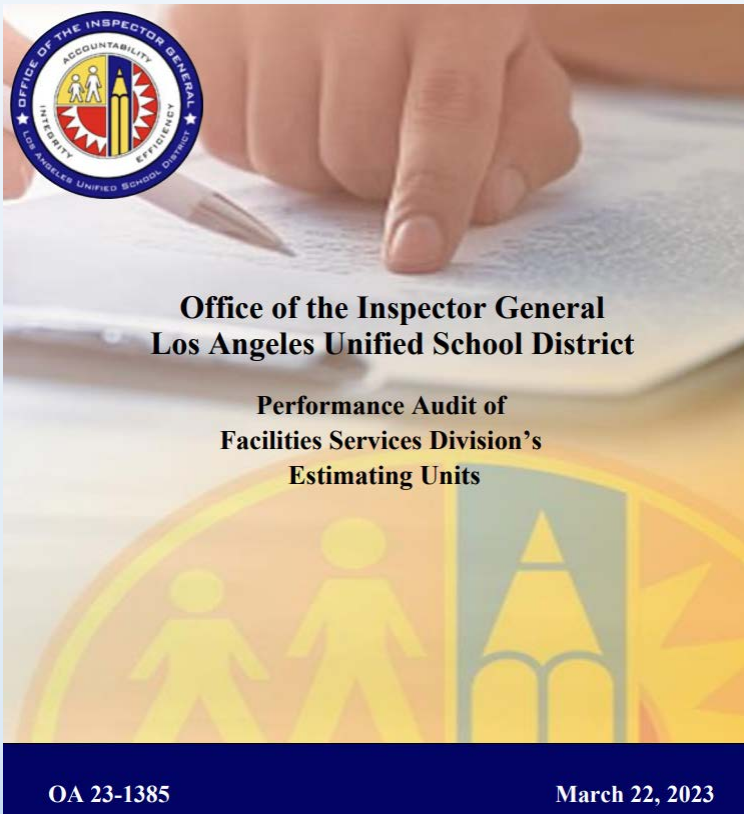
- The number and experience of the staff in the estimating units.
- The District department for which estimates were prepared.
- The average turnaround time for producing estimates.
- The relationship between the number of estimates and the number of projects for both estimating units.

We concluded that the extent to which estimating services were requested was reasonable.

During the audit, we noted that the estimating units' reporting structure overlapped, and their roles and responsibilities were not clearly defined.



# Audit of FSD Estimating Units



Based on our observations, we made the following recommendations to enhance the District's estimating process:

1. Corresponding organizational charts should be updated to reflect the correct reporting structure for each estimating unit.
2. Roles and responsibilities between the two estimating units should be clearly defined.

Defining the roles and responsibilities of both estimating units will provide a District-wide understanding of their internal process, decrease confusion about their roles, and increase transparency.

The District agreed to implement the recommendations.





LAUSD

# Office of the Inspector General

*"Independent and Objective Oversight"*



OIG

En español



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- ☐ Retaliation for reporting misconduct
- ☐ Anyone can make a report
- ☐ Reports are confidential - you may remain anonymous if you wish



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

**Performance Audit of  
Facilities Services Division's  
Estimating Units**

**OA 23-1385**

**March 22, 2023**



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

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March 22, 2023

Mr. Jay Dolinky  
Director of Program & Project Controls  
Program Support Services Branch  
Los Angeles Unified School District  
333 S. Beaudry Avenue, 21<sup>st</sup> Floor  
Los Angeles, CA 90017

Mr. Greg Garcia  
Director of Project Execution  
Project Execution Branch  
Los Angeles Unified School District  
333 S. Beaudry Avenue, 19<sup>th</sup> Floor  
Los Angeles, CA 90017

RE: Performance Audit of Facilities Services Division's Estimating Units

Dear Messrs. Dolinky and Garcia,

Attached is the final report of Facilities Services Division's Estimating Units. The objective of the audit was to assess the extent to which cost estimating services were requested from the Estimating Units for construction cost estimates.

We appreciate your continued support of our services.

Sincerely,

***Austin Onwualu***

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Austin Onwualu, CPA, CIG  
Deputy Inspector General, Audits

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Sue Stengel, Esq.  
Inspector General

Attachment

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## **EXECUTIVE SUMMARY**

We conducted an audit of Facilities Services Division's (FSD) Estimating Units at the Los Angeles Unified School District (District). The objective of the audit was to assess the extent to which cost estimating services were requested from the Estimating Unit for construction cost estimates. We performed this audit because: (i) the OIG has not audited this area since 2007 and (ii) cost estimating is an important control for containing construction costs.

Construction cost estimating is the process of forecasting the cost of building a physical structure. In FSD, one Estimating Unit is located within the Program Support Services (PSS) branch and the other Estimating Unit is located within the Project Execution (PEX) branch (Figure 1). The Estimating Unit under Project Support Services (PSS EU) prepares construction cost estimates upon request from various FSD departments, mainly for construction projects in the pre-construction phase. The Estimating Unit in Project Execution (PEX EU) creates and develops estimates during the construction phase after a contract has been awarded and primarily for change order proposals. PEX EU prepares estimates solely for the Project Execution Branch.

We reviewed documentation showing the number of estimates prepared for construction projects and other data that the two estimating units recorded and found that in FY 2022, 1,758 estimates were generated from both Estimating Units for a total of \$2.9 billion. Due to the cyberattack in September 2022, PEX EU was unable to provide data prior to June 2021 and did not have access to the data in its system application, however, PEX was able to provide a manual spreadsheet with estimating data for FY 2022.

PSS EU generated 1,733 estimates over two years, an average of 866.5 estimates per year indicating that estimating services were requested reasonably from PSS EU. PEX EU generated 835 estimates in FY 2022 for change orders, which was in line with the PSS EU annual average of 866.5, indicating that estimating services were requested in a reasonable manner from PEX EU. **Table 1** below presents an aggregate total dollar value and the number of estimates for both estimating groups for two (2) fiscal years.

**Table 1**  
**Comparison of Estimates for Both Estimating Units**  
**For the Period of July 1, 2020 through June 30, 2022**

Department	Number of Estimates		Dollar Value of Estimates		Grand Total
	FY 21	FY 22	FY 21	FY 22	
PSS EU	810	923	\$2,466,675,922	\$2,844,013,298	\$5,310,689,220
PEX EU	Not Available	835	Not Available	\$55,023,635	\$55,023,635
Total	810	1,758	\$2,466,675,922	\$2,899,036,933	\$5,365,712,855

We noted the following observations:

- The Estimating Units' reporting structures overlapped on organizational charts.
- Each Estimating Unit's role and responsibilities were not clearly defined in policy.

Based on our review, we made two recommendations to enhance FSD’s estimating process by formally defining the roles and responsibilities between the two Estimating Units and clearly specifying the organizational chart reporting lines. Defining the roles and responsibilities of both Estimating Units will provide a District-wide understanding of their internal process, decrease confusion about their roles, and increase transparency. The auditee agreed with both recommendations. Our findings and recommendations are detailed in the Results of Audit section of this report.

## **INTRODUCTION**

Construction cost estimating is the process of forecasting the cost of building a physical structure. Cost estimates are critical to successful project management and estimating teams are expected to produce reasonably accurate and reliable estimates during: (i) the conception of a project, and (ii) throughout project execution. Cost estimating is an ongoing process and estimate revisions are normal in order to ensure accuracy throughout project execution.<sup>1</sup> In projects constructed with public funds, cost estimates increase accountability, provide transparency, and enhance trust in the management of the projects.<sup>2</sup>

The U.S. Government Accountability Office (GAO) states that cost estimates are necessary for government acquisition programs for many reasons, including:

- (i) To support decisions about funding one program over another.
- (ii) To develop annual budget requests.
- (iii) To evaluate resource requirements at key decision points.
- (iv) To develop performance measurement baselines.

Having a realistic estimate of projected costs makes for effective resource allocation and increases the probability of a program’s success.<sup>3</sup>

Failing to prepare a reliable construction cost estimate can be very costly. Professional estimators use defined techniques to create construction cost estimates that are used to assess the financial feasibility of projects, to budget for project costs, and to monitor project spending. Construction cost estimates are typically revised and updated as the project’s scope becomes more precise and as project risks are realized.<sup>4</sup>

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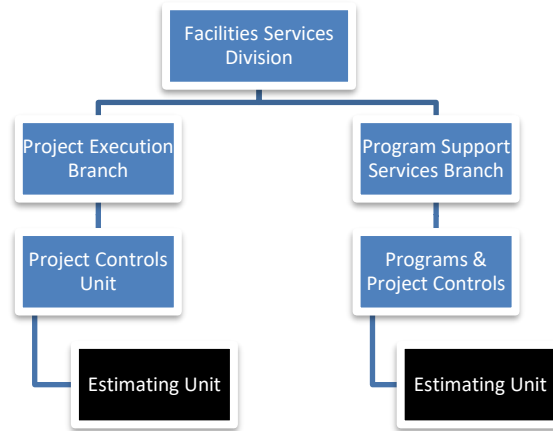
<sup>1</sup> “Ultimate Guide to Project Cost Estimating,” <https://www.smartsheet.com/ultimate-guide-project-cost-estimating>; downloaded 9/29/22; <https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Ultimate%20Guide%20to%20Project%20Cost%20Estimating.pdf>

<sup>2</sup> “Construction Cost Estimating: The Basics and Beyond”, <https://www.smartsheet.com/construction-cost-estimating>; downloaded 8/12/2022; [https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Construction%20Cost%20Estimating %20Basics%20and%20Beyond.pdf](https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Construction%20Cost%20Estimating%20Basics%20and%20Beyond.pdf)

<sup>3</sup> GAO “Cost Estimating and Assessment Guide” 20-195G, March 2020, pg. 8 <https://www.gao.gov/assets/gao-20-195g.pdf>; PDF Page 20

<sup>4</sup> “The Ultimate Guide to Project Cost Estimating”; March 27, 2017; <https://www.smartsheet.com/ultimate-guide-project-cost-estimating>; downloaded 9/29/2022; <https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Ultimate%20Guide%20to%20Project%20Cost%20Estimating.pdf>

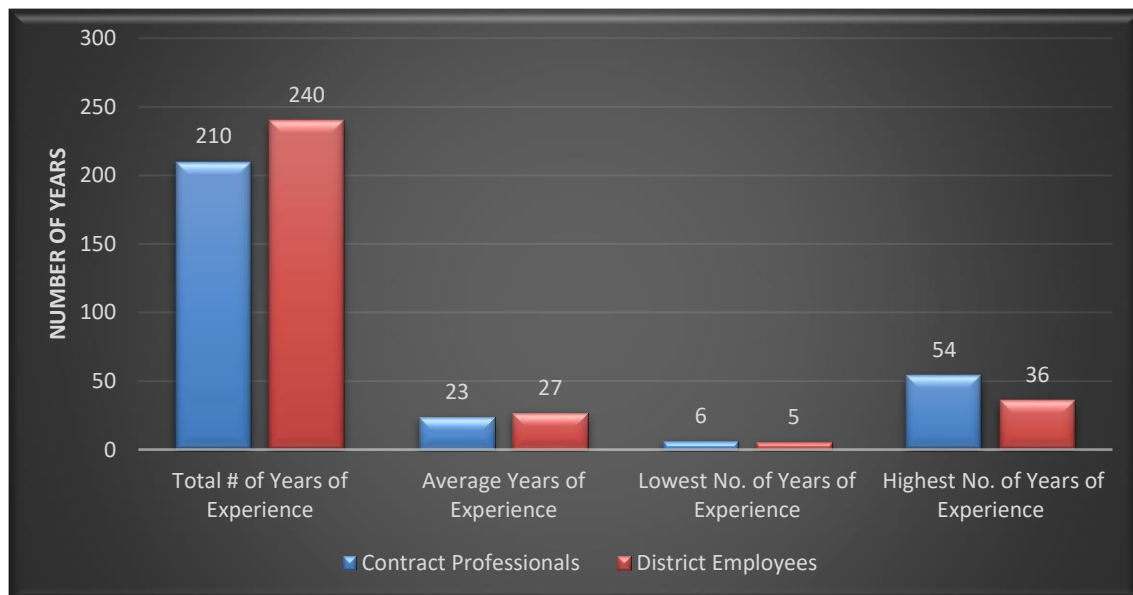
**Figure 1**  
**Organizational Chart of the Estimating Units within FSD**



We analyzed staffing to determine the number of staff and their level of experience between District personnel versus Contract Professionals in each estimating unit. Both units had nearly the same number of estimators in FY 22: PSS had nine estimators while PEX had eight estimators.

**Figure 2** shows the years of estimating experience in various categories. All things considered, both CPs and District employees had very similar and extensive estimating experience.

**Figure 2**  
**Years of Estimating Experience between  
CPs and District Employees for Both Estimating Units**

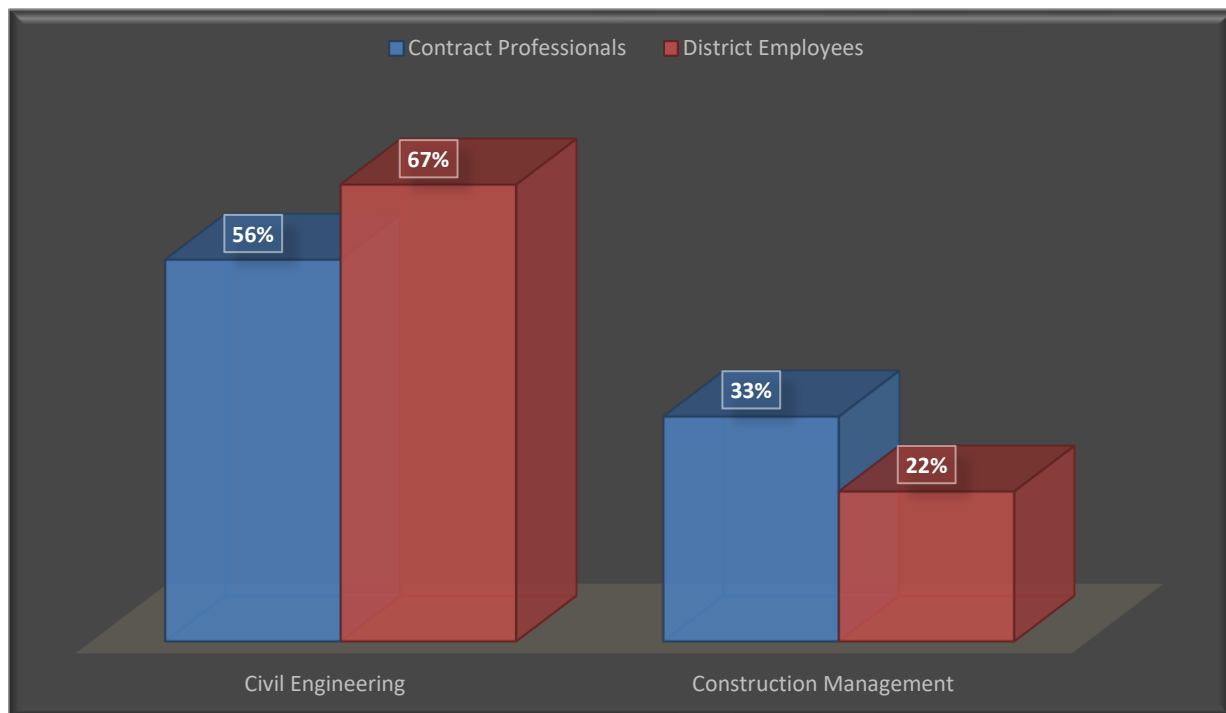




**Figure 3** below shows that among CPs and District Employees most of the degrees earned between both groups were in the field of civil engineering.

District employees had slightly more civil engineering degrees and less construction management degrees. Comparatively, both groups had a similar number of employees with civil engineering degrees and construction management degrees. In addition, one District employee completed a two-year study in architecture.

**Figure 3**  
**Comparison of District Employees and CPs**  
**with Civil Engineering or Construction Management Degrees**



*Relationship between Number of Pre-construction Project Estimates for each Board District*

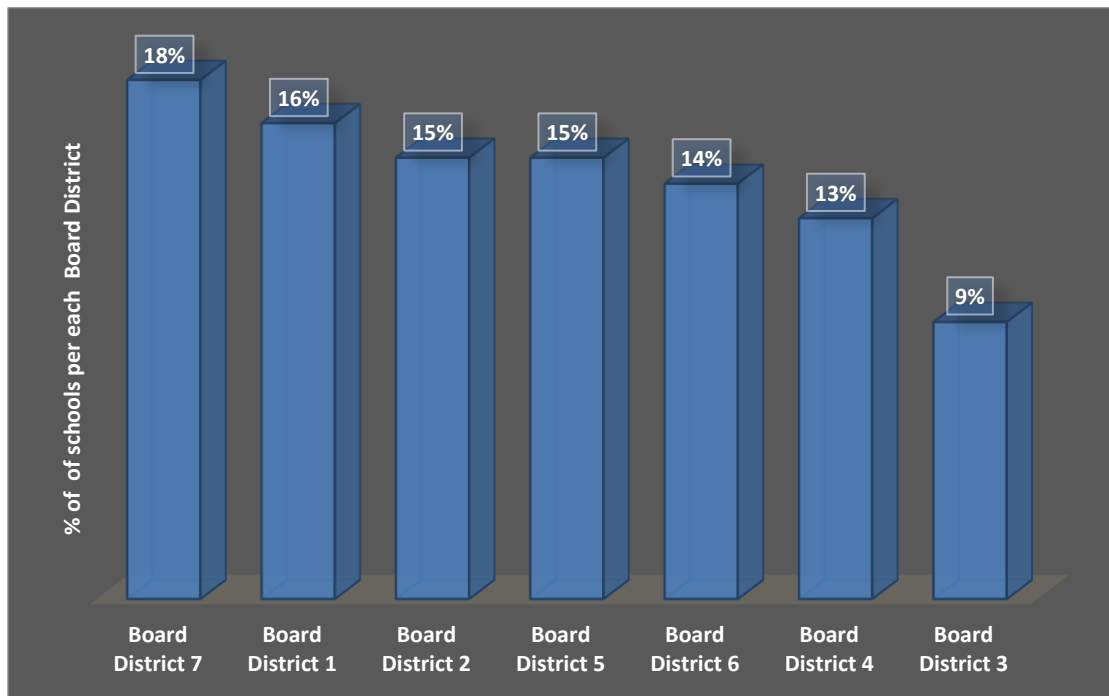
We reviewed PSS Estimating Unit’s pre-construction estimates completed for FY 2022 and analyzed the relationship between the number of estimates for school construction projects in the pre-construction phase for each Board District. **Table 2** and **Figure 4** below show the number of schools that had pre-construction estimates completed based on each Board District. We noted that the highest number of estimates generated was in Board District 7 with 18% of all estimates, while the lowest number of estimates was in Board District 3 with 9%. We could not determine the reason for the difference in the number of estimates generated within the Board Districts.<sup>5</sup>

<sup>5</sup> Estimates are generated based on requests by departments of FSD. The number of estimates recorded did not include data on all ongoing construction and modernization projects during our audit period.

**Table 2**  
**FY 2022**  
**Pre-construction Estimates Completed by Board District**

Board District	The Number of Schools with Completed Pre-construction Estimates	Percent
7	60	18%
1	55	16%
2	51	15%
5	51	15%
6	48	14%
4	44	13%
3	32	9%

**Figure 4**  
**FY 2022**  
**Pre-construction Estimates Completed by Board District**



## **RESULTS OF AUDIT**

**Objective: To assess the extent to which cost estimating services were requested from the Estimating Units for construction cost estimates.**

### **Analysis of FSD Estimating Units**

In order to assess the extent to which cost estimating services were requested, we reviewed available documentation from PSS EU and PEX EU and analyzed the following:

- ✓ Number of estimates requested by FSD departments.
- ✓ Relationship between estimates completed to the number of projects completed.
- ✓ Turnaround time for completed estimates.

#### *A. Program Support Services Estimating Unit*

In general, PSS EU created and developed estimates during the pre-construction phase before a contract was awarded. The pre-construction phase typically includes:

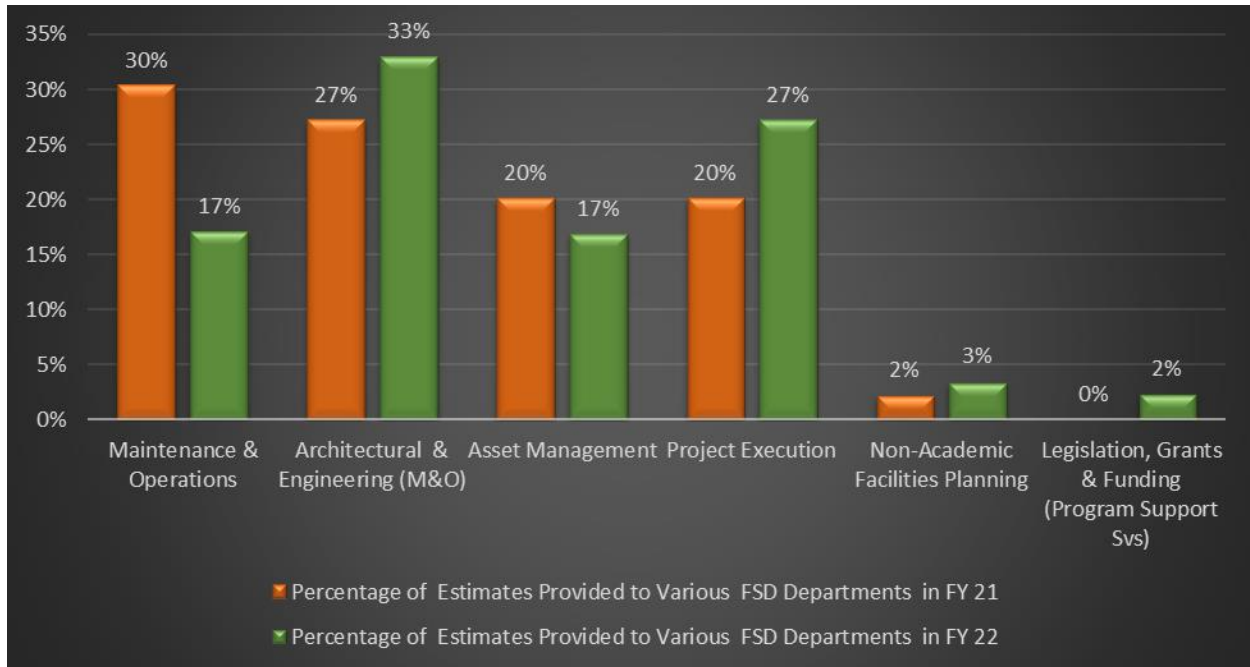
- (1) Creating a strategic plan for the project.
- (2) Creating a design.
- (3) Securing permits or entitlements.
- (4) Gathering the labor and resources for construction.

The pre-construction phase encompasses all of the activities in a construction project that occur prior to construction and before a contract is awarded.

PSS EU also provided services during the construction phase, but the majority of the estimates were for the pre-construction phase. In addition, PSS EU prepared estimates for various FSD departments and units.

**Figure 5** on the next page shows the various departments that requested estimates from PSS EU in FY 2021 and FY 2022.

**Figure 5**  
**Percentage of Estimates Provided to Various**  
**FSD Departments in FY 2021 and FY 2022**



We noted that for FY 2021, approximately 57% of the estimates prepared were for M&O and the Architectural and Engineering unit. In FY 2022, 60% of the estimates were generated for Project Execution and the Architectural and Engineering unit. Estimates for Project Execution increased by 7% and estimates for M&O decreased by 13% from the prior year.

We also analyzed the relationship between the number of completed estimates versus the number of completed projects. **Table 3** below shows that in FY 2021 there were 810 estimates prepared by PSS EU representing 370 construction projects. In FY 2022, there were 923 estimates representing 357 projects. This indicates that there were multiple estimates created for each project. During the pre-construction phase, for every one project, two or more estimates were created for each project. PSS EU generated 1,733 estimates over two years for an average of 866.5 estimates per year.

**Table 3**  
**Program Support Services Estimating Unit**  
**Estimates Prepared vs. Number of Projects**  
**FY 2021 and FY 2022**

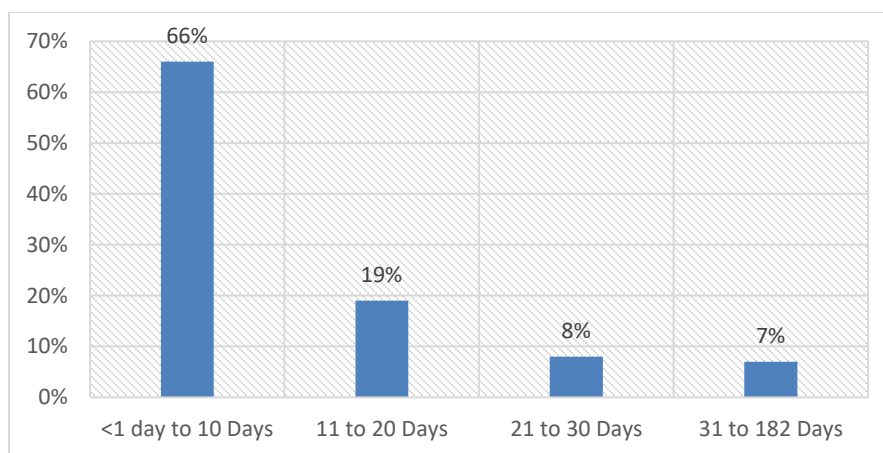
Fiscal Year	Number of Estimates Completed	Number of Projects
FY 2021	810	370
FY 2022	923	357
<b>Total</b>	<b>1,733</b>	<b>729</b>

Lastly, we reviewed the turnaround times of the estimates prepared by PSS EU. Turnaround time is the duration of a process from initiation to completion.<sup>6</sup> To assess turnaround times, we reviewed the period of time between the date of the request and the date the estimate was completed.

**Figure 6** below shows that 66% of the completion dates of the estimates performed by PSS EU fell in the range of 1 day up to 10 days. We also noted that 20% of the estimates in the <1 – 10 days category took less than a day and up to one day to prepare the estimates.

On average for FY 2021 PSS EU expended 38 days to complete estimates. Based on industry standards, estimates should be producible in one to 14 days.<sup>7</sup> Turnaround times for PSS EU appeared reasonable since 66% of the estimates were completed within 1 to 10 days.

**Figure 6**  
**FY 2021 PSS EU Turnaround Time Percentages**

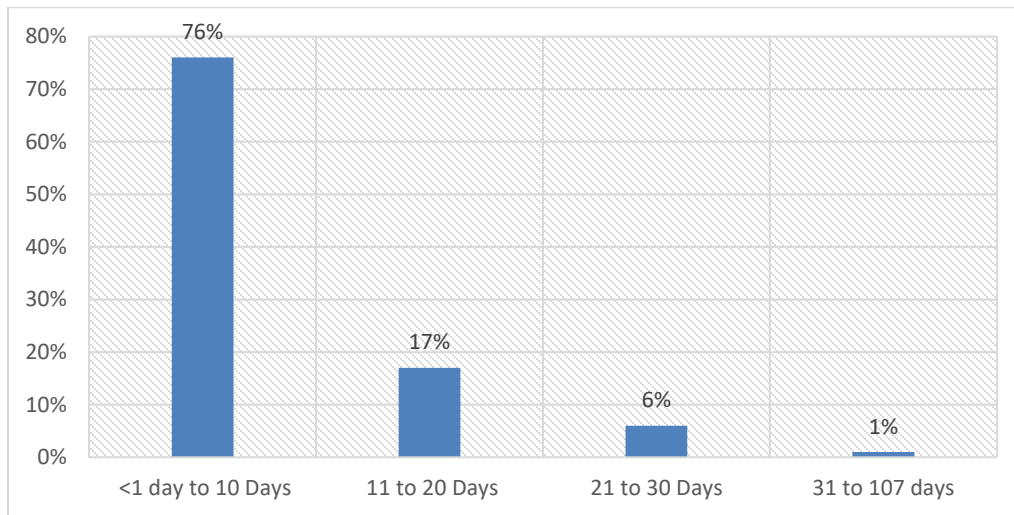


**Figure 7** below shows that in FY 2022, 76% of the estimates completed by PSS EU fell in the range of less than a day up to 10 days. Additionally, 21% of the estimates in the <1 – 10 days category took less than a day and up to one day to complete the estimates. In FY 2022, PSS EU on average took 23 days to complete an estimate. This represents a decrease of 39% or 15 days from the prior year.

<sup>6</sup> “Turnaround Time Improvement” <https://www.integrify.com/turnaround-time-improvement/#:~:text=Turnaround%20times%20can%20be%20improved,rules%20is%20ripe%20for%20automation.&text=it%20to%20reducing%20turnaround%20times,as%20part%20of%20a%20project> Downloaded 11/3/2022; Page 1

<sup>7</sup> <https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/IndustryTurnaround%20Time%20Firms.pdf> World Estimating; Downloaded 8/12/2022; “How Long Will it Take to Receive an Estimate?”; Downloaded 8/12/2022; The OIG did extensive research around industry standards and we presented two examples of turnaround times for generating cost estimates.

**Figure 7**  
**FY 2022 PSS EU Turnaround Time Percentages**



***B. Project Execution Estimating Unit***

Due to the cyberattack in September 2022, PEX EU was unable to provide data prior to June 2021 because it did not have access to the data in the FSD system application. The historical data was stored in FSD’s COLIN (Consolidated On-Line Information Nexus),<sup>8</sup> so PEX could not access the FY 2021 data during this audit. However, PEX was able to provide a manual spreadsheet with estimating data for FY 2022.

PEX EU creates and develops estimates during the construction phase after a contract has been awarded to a contractor. PEX EU receives requests for estimates from Owner Authorized Representatives (OAR) within the Project Execution Branch. PEX EU solely prepares estimates for Project Execution in contrast to PSS EU, which prepares estimates requested from various departments.

District policy states the following regarding Fair Cost Estimates for change orders:

“The OAR prepares a separate, independent estimate of the cost and time impact of the proposed CO (change order) work prior to receipt of the COP (change order proposal). It is recommended, but not required, that if COP costs are anticipated to exceed \$25,000, that an estimate be completed by a Project Estimator or the Estimating Unit.”<sup>9</sup>

<sup>8</sup> Consolidated OnLine Information Nexus is a solution that tracks and logs programs, projects, schedules and cost management.

<sup>9</sup> FSD Policies & Procedures, 14.16 Change Order Process, April 26, 2021, Pg. 6;  
[https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit\\_files/14.16\\_CO\\_Procedures\\_Formal\\_Policy\\_and\\_Procedures\\_Draft.pdf](https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit_files/14.16_CO_Procedures_Formal_Policy_and_Procedures_Draft.pdf) ;

Current District policy<sup>10</sup> allows OARs to prepare construction cost estimates for any amount (less than \$25,000 or over \$25,000) because it is **recommended, but not required**, that the OAR seek an estimate from a Project Estimator or the Estimating Unit. However, we noted that the general informal rule within PEX is that if the change order proposal is more than \$25,000, then it is sent to PEX EU for a request for estimate. Based on FY 2022 data, PEX EU prepared 835 estimates for FY 2022. Of the 835 estimates, 269 (or 32%) were for change order proposals of less than \$25,000.

We observed that PEX EU obtained assistance recently from a third-party firm to help with approximately 300 estimates for two projects located at San Pedro High School and Huntington Park High School. According to PEX staff, large complex modification projects such as Huntington Park High School which was a \$100 million project could potentially amass around 500 estimates. PEX staff stated that as a result of contracting with the third party firm, PEX improved efficiency and productivity and ensured that the unit did not fall behind with the current workload.

We also analyzed the relationship between the number of estimates and the number of projects for PEX EU. **Table 4** below shows that in FY 2022 there were 835 estimates prepared by PEX EU representing 93 projects. In short, there were multiple estimates for change orders within a project. During the construction phase, for every one project there were approximately 9 or more estimates prepared.

**Table 4**  
**Project Execution Estimating Unit**  
**Estimates Prepared vs. Number of Projects**

Fiscal Year	Number of Estimates Prepared	Number of Projects
<b>FY 2022</b>	<b>835</b>	<b>93</b>

We also reviewed the turnaround times of the estimates prepared by PEX EU. To assess turnaround times, we looked at the period of time between the date of the request to the date of completion of the estimate. **Figure 8** below shows that 65% of the estimates performed by PEX EU fell within the range of less than one day up to 10 days.

We also noted that 23% of the less than one day up to 10 days category took less than a day and up to one day to prepare estimates for change orders.

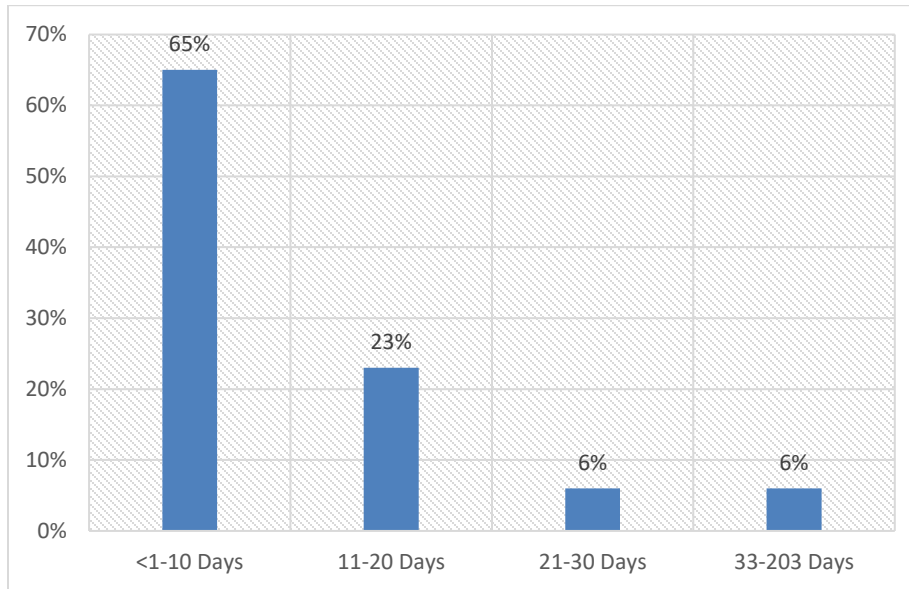
On average for FY 2022 it took 42 days to complete estimates for change orders. Based on industry standards, estimates should be producible in one to 14 days.<sup>11</sup> Turnaround times for PEX EU appeared reasonable since the majority of the estimates fell within the 1-10 day category (total of 65%).

<sup>10</sup> Ibid, Page 6

<sup>11</sup> [https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit files/Turnaround Time Firm Advertisement 1.pdf](https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Turnaround%20Time%20Firm%20Advertisement%201.pdf) [https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit files/Industry std turnaround times 2.png](https://achieve.lausd.net/cms/lib/CA01000043/Centricity/domain/184/audit%20files/Industry%20std%20turnaround%20times%202.png)



**Figure 8**  
**FY 2022**  
**PEX EU Turnaround Time Percentages**



*Comparison of FSD Estimating Units Turnaround Times*

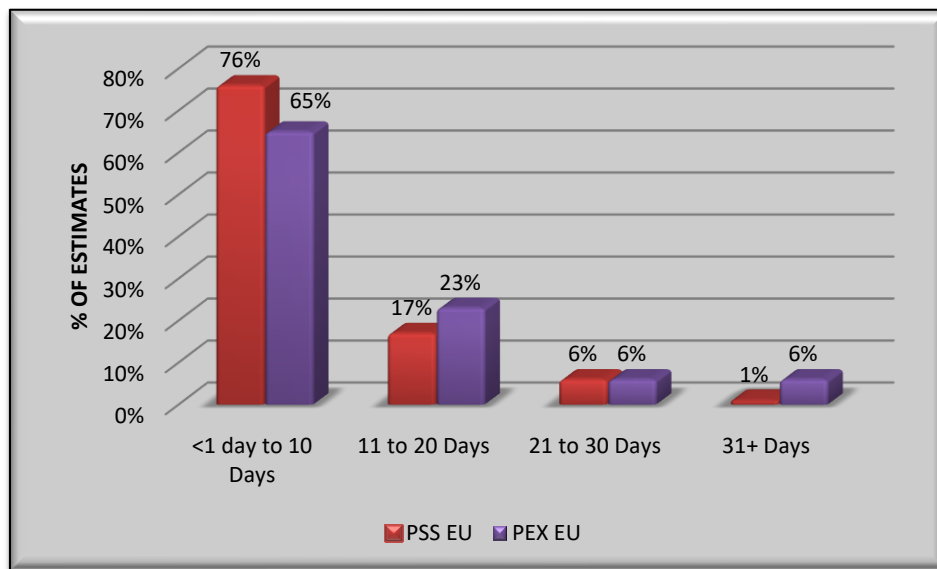
We also conducted a comparative analysis of the turnaround time of estimates for both estimating units for FY 2022. We were unable to compare FY 2021 since the data was not available for PEX EU. **Table 5** shows the number of estimates prepared by each estimating unit and the percentage of estimates based on the time spent to complete them.

**Table 5**  
**FY 2022**  
**Comparison of Estimates Prepared by each Estimating Unit**

<b>FY 2022</b>				
	<b>PSS EU (Pre-construction Estimates)</b>		<b>PEX EU (Change Order Estimates)</b>	
<b>Number of Days</b>	<b>Number of Estimates</b>	<b>Percentage</b>	<b>Number of Estimates</b>	<b>Percentage</b>
<b>&lt;1 day to 10 Days</b>	622	76%	540	65%
<b>11 to 20 Days</b>	141	17%	191	23%
<b>21 to 30 Days</b>	45	6%	51	6%
<b>31+ Days</b>	10	1%	48	6%

As shown in **Figure 9** below, 76% of PSS EU estimates were prepared during the pre-construction phase and completed within 1 -10 days. Similarly, 65% of PEX EU estimates prepared for change orders were completed in 1 - 10 days.

**Figure 9**  
**Comparison of Turnaround Times For Estimates for FY 2022**



We concluded, after review of the data, that the extent to which estimating services were requested was reasonable. However, we found some areas for improvement based on our observations.

### **Observations**

The Estimating Units' reporting structure overlapped, and their roles and responsibilities were not clearly defined. We reviewed the data provided by the Estimating Units in PSS and PEX for FY 2021 and FY 2022 and noted the following conditions.

#### **Observation 1:**

After reviewing the organizational chart reporting lines and cross-checking with each estimator's workload, we identified four estimators that were reported under PSS EU's organizational chart when they actually worked for the PEX EU.

The above condition occurred because management failed to notice the discrepancy on both organizational charts. Management stated that it may have been related to funding or political issues, but the four estimators reported to PEX and worked only on change order estimates i.e., construction estimates.

**Recommendation 1:** We recommend that the Director of Program and Project Controls (Program Support Services) and the Director of Project Execution update their respective organizational charts to reflect the correct reporting structures.

### **Facilities Services Division Response**

FSD agreed with the recommendation and will modify the appropriate organization charts in both Project Execution and Program Support Services. However, FSD stated that there were two estimators in PEX/PSS that fit into this observation rather than four estimators.

**OIG Response:** We reviewed estimates generated by the four estimators in this observation and noted that each of them created estimates for PEX EU and no estimates were generated for PSS EU. A total of 513 estimates were created by the four estimators in FY 2022 for PEX EU. The audit team confirmed this information in interviews with FSD Management that all four estimators reported to PEX EU.

**Target Date to Implement Action Plan:** April 2023

### **Observation 2:**

We noted that there were no formal definitions of FSD's Estimating Units' roles and responsibilities. Both units (PSS EU and PEX EU) performed estimates; however, each estimating unit developed estimates for different functions and phases of the construction process. Formally defining each estimating unit's roles and responsibilities will promote a District-wide understanding of the internal processes within both Estimating Units.

**Recommendation 2:** We recommend that the Director of Program and Project Controls (Program Support Services) and the Director of Project Execution formally define the roles and responsibilities of their respective estimating units in FSD policies and procedures.

### **Facilities Services Division Response**

FSD agreed with the recommendation and will create a Policy and Procedure for Project Execution and Program Support Services.

**Target Date to Implement Action Plan:** Fourth Quarter of 2023

## **AUDIT TEAM**

This audit was conducted by the Office of the Inspector General's Audit Unit Team:

Katharine Monishi, Audit Manager  
Luceli Ceja, Principal Auditor

**SCOPE AND OBJECTIVE, METHODOLOGY, and  
EVALUATION OF INTERNAL CONTROLS**

**SCOPE AND OBJECTIVE**

The objective of the audit was to assess the extent to which cost estimating services were requested from the Estimating Unit for construction cost estimates.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit covered the period from July 1, 2020 through June 30, 2022.

**METHODOLOGY**

To accomplish our audit objective, we conducted a series of interviews with key District personnel and reviewed District policies and procedures. We reviewed estimating data for the period of July 1, 2020 through June 30, 2022 for all estimates performed during that period. We performed data analytics in order to analyze various metrics from PSS EU and PEX EU estimates.

**EVALUATION OF INTERNAL CONTROLS**

In accordance with *Government Auditing Standards*, we obtained an understanding of internal control that is significant within the context of the audit objective. We assessed whether internal controls were properly designed and implemented. For those controls that were deemed significant, we obtained sufficient, appropriate evidence to support our assessment about the effectiveness of those controls.

We are required to report deficiencies in internal controls that are significant within the context of the audit objective. A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (i) impairments of effectiveness or efficiency of operations, (ii) misstatements in financial or performance information; or (iii) noncompliance with provisions of laws, regulations, contracts, or grant agreements on a timely basis. Based on our audit, we found that internal controls could be strengthened and improved over the reporting structure, roles and responsibilities for each Estimating Unit, the details of which are provided in the Results of Audit section of this report.

**Verbatim Response to Draft Report**

**From**

**Facilities Services Division**



**LOS ANGELES UNIFIED SCHOOL DISTRICT**  
Facilities Services Division

**DATE:** March 13, 2023

**TO:** Ambition Padi, M.Ed. MBA  
Katharine Monishi, CIGA  
Office of the Inspector General

**FROM:** Mark Hovatter  
Chief Facilities Executive

**SUBJECT: Audit Report of Facilities Services Division's Estimating Units**

Please find below Facilities Services Division's response to recommendations provided in the Office of the Inspector General's Audit Report of Facilities Services Division's Estimating Units.

**Observations:** The Estimating Units' reporting structure overlapped, and their roles and responsibilities were not clearly defined. We reviewed the data provided by the Estimating Units in PSS and PEX for FY 2021 and FY 2022 and noted the following conditions.

**Observation No. 1**

After reviewing the organizational chart reporting lines and cross-checking with each estimator's workload, we identified four estimators that were reported under PSS EU's organizational chart when they actually worked for the PEX EU.

The above condition occurred because management failed to notice the discrepancy on both organizational charts. Management stated that it may have been related to funding or political issues, but the four estimators reported to PEX and worked only on change order estimates i.e., construction estimates.

**Recommendation for No. 1**

We recommend that the Director of Program and Project Controls (Program Support Services) and the Director of Project Execution update their respective organizational charts to reflect the correct reporting structures.

**Facilities Response to Recommendation No. 1:**

- i. **Response:** There are two estimators in PEX / PSS that fit into this observation. Facilities Services Division agrees with the OIG recommendation and will modify the organization charts.

- ii. **Action Plan:** Facilities Services Division will modify the appropriate organization charts in both Project Execution and in Program Support Services.
- iii. **Target date to implement Action Plan:** April 2023.

**Observation No. 2**

We noted that there were no formal definitions of FSD's Estimating Units' roles and responsibilities. Both units (PSS EU and PEX EU) performed estimates; however, each estimating unit developed estimates for different functions and phases of the construction process. Formally defining each estimating unit's roles and responsibilities will promote a District-wide understanding of the internal processes within both Estimating Units.

**Recommendation for No. 2**

We recommend that the Director of Program and Project Controls (Program Support Services) and the Director of Project Execution formally define the roles and responsibilities of their respective estimating units in FSD policies and procedures.

**Facilities Response to Recommendation No. 2:**

- i. **Response:** Facilities Services Division agrees with the OIG recommendation and will develop a Policy and Procedure.
- ii. **Action Plan:** Facilities Services Division will create a Policy and Procedure for Project Execution and Program Support Services.
- iii. **Target date to implement Action Plan:** 4<sup>th</sup> Quarter 2023.

C: Austin Onwualu  
Krisztina Tokes  
Greg Garcia  
Jay Dolinky



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## **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**

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