

Los Angeles Unified School District
Office of the Inspector General

Incurred Cost Audit
AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429

CA 26-1006
December 12, 2025

Sue Stengel
Inspector General





Los Angeles Unified School District Office of the Inspector General

Scott M. Schmerelson, President
Dr. Rocio Rivas
Sherlett Hendy Newbill
Nick Melvoin
Karla Griego
Kelly Gonez
Tanya Ortiz Franklin
Members of the Board

Alberto M. Carvalho
Superintendent

Sue Stengel
Inspector General

December 12, 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: Audit of AP Construction Group, Inc., dba Air Plus - Contract No. 2210024/4400010429

Dear Mr. Friedman:

Enclosed is the final audit report on the examination of Contract No. 2210024/4400010429 awarded to AP Construction Group, Inc., dba Air Plus.

Please contact our office if you have any questions.

Sincerely,

Josh Margraf
Digitally signed by Josh Margraf
DN: cn=Josh Margraf, o=LAUSD, ou=Office of the Inspector
General, email=joshua.margraf@lausd.net, c=US
Date: 2025.12.12 09:45:40 -0800

Josh Margraf, CIA, CISA, CFE
Assistant Inspector General, Audits

Sue Stengel
Digitally signed by Sue Stengel
DN: cn=Sue Stengel, o=LAUSD, ou=OIG,
email=sue.stengel@lausd.net, c=US
Date: 2025.12.12 11:27:04 -0800

Sue Stengel, Esq., CIG
Inspector General

c. Jorge Ballardo, Cheri Thomas, Ivory King, Dana Greer, Lisette Pacheco, Elizabeth Li, Krisztina Tokes, Ed Cadena, Randall Lemons, Myint Moe

Attachment

TABLE OF CONTENTS

Executive Summary	1
Introduction	2
Scope and Objectives	2
Methodology	2
Results of Audit	3
Audit Team	8
Independent Auditor's Report	9
Exhibit A – Photos From Site Visit	10

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) audited Contract No. 2210024/4400010429 (Contract) awarded to AP Construction Group, Inc., dba Air Plus (AP Construction), to provide piping systems and related upgrades at Ramon C. Cortines School of Visual and Performing Arts (Cortines VAPA).¹ The OIG conducted this audit to ensure transparency, compliance, and accountability in the execution of the Los Angeles Unified School District’s (District) construction project. The key conclusions from our examination engagement are detailed below.

Key Conclusions:

- AP Construction had completed approximately 99% of the contracted scope of work, with the completed work adequately documented and approved by the District as of May 31, 2025. According to the District’s project team, no punch list has been issued to date, and the only outstanding items involve minor repairs such as patching grass, asphalt, and concrete. As of the OIG’s site visit to Cortines VAPA on November 12, 2025, the Owner Authorized Representative (OAR) further confirmed that a substantial notice of completion is expected to be issued in late January or early February 2026.²
- AP Construction invoiced the District for \$10,541,597, which represents 94.65% of the authorized contract value of \$11,137,094 for the audit period. There was a remaining balance of \$40,676 to complete the project, along with \$554,821 held in retainage, as detailed in the Payment Application (Pay App) No. 34, which covered the work completed and billed as of May 31, 2025.³
- The District authorized 73 change orders with a combined value of \$1,612,094 under the Contract, increasing the contract value by 16.92%, from \$9,525,000 to \$11,137,094.⁴ A statistical sample of 34 change orders, totaling \$1,433,590 (89% of the total change order amount), was reviewed and found to be supported and awarded in accordance with the District’s Facilities Services Division (FSD) Change Order Procedures.⁵
- AP Construction overbilled the District \$5,759 in bond costs by applying a standard 2% rate instead of the actual 0.94% rate on 29 change orders executed from the inception of the Contract through December 31, 2023. AP Construction acknowledged the error and issued a credit

¹ Contract AP Construction [4400010429_NOA_2210024_PKG.pdf](#)

² The Owner Authorized Representative is the designated authorized representative of the owner who administers the contract.

³ A Payment Application or Pay App is a written request for payment submitted to the District. It includes a detailed breakdown of the completed work, the percentage completed, and the amount due for payment.

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 Facilities Services Division [14.16 Change Order Procedures Rev 1.17.2023.pdf](#)

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

Change Order No. T-573 on December 16, 2024. AP Construction correctly applied the actual 0.94% rate for the remaining 44 change orders executed after January 2024, demonstrating proper compliance with billing requirements.

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

INTRODUCTION

On April 12, 2022, the District executed Contract No. 2110024/4400010429 with AP Construction Group, Inc., dba Air Plus (AP Construction) for the Cortines VAPA Piping Systems and Other Upgrades Project. This project involved replacing the existing deteriorated underground and above-ground chilled piping systems for heating, ventilation, and air conditioning (HVAC) purposes. The scope of work also included replacing a portion of the slab, subgrade, trench drain, fence, and curb at the basketball court.

The Contract's original amount was \$9,525,000, and the contract duration was 851 calendar days. During construction, the District issued 73 change orders totaling \$1,612,094, which increased the contract value by 16.92% to \$11,137,094 as of May 31, 2025.

SCOPE AND OBJECTIVES

The objectives of our examination were to determine whether:

1. The completion of the scope of work was approved by the District and adequately documented.
2. The billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions.
3. The change orders were properly approved and adequately documented.

Our examination covered the scope of work billed and completed by AP Construction as of May 31, 2025.

METHODOLOGY

The OIG performed the following procedures to accomplish our examination objectives:

- Interviewed the OAR and the project team to obtain an understanding of the District's internal control process for construction projects, the Contract's scope of work, and the status of the project.
- Interviewed AP Construction's staff and management about their internal controls and business operations.
- Reviewed inspection reports to validate the progress claimed in the Pay Apps and confirm that completion of the scope of work was adequately documented.
- Reviewed approved documentation and obtained confirmation from the District's project team,

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

substantiating that the completed scope of work for the audit period was adequately supported.

- Reviewed 34 (100%) of the Pay Apps submitted for the audit period to confirm District approval and alignment with authorized amounts, including supporting documentation such as the schedule of values, withholdings and releases, subcontractor payments, and applicable conditional waivers.⁶
- Reviewed a statistical sample of 34 change order packages to verify whether change orders were properly authorized and executed in accordance with District policies and procedures.
- Reviewed 73 (100%) authorized change orders to verify whether the correct bond cost was charged based on the contractor's actual project bond rate.
- Conducted site visits to Cortines VAPA with the OAR and the Project Engineer to view the contracted scope of work.

RESULTS OF AUDIT

1. The completion of the scope of work was approved by the District and adequately documented.

On June 21, 2022, the Board of Education approved the piping systems and facility upgrades project at Cortines VAPA to address critical infrastructure needs and ensure a safe, healthy learning environment for students. The project focused on the critical repair of the failing HVAC system and related issues. Specifically, the project scope of work included, but was not limited to, the following:

- Replacement of the existing deteriorated underground and above-ground heating and chilled HVAC piping system.
- Replacement of existing pumps, expansion tanks, air separators, variable frequency drives, and chemical treatment systems.
- Replacement of a portion of the slab, subgrade, trench drain, fence, and curb at the existing basketball court.

During construction, the District implemented several end-user-requested modifications that were not part of the original piping systems and upgrades scope. These changes included:

⁶ A Schedule of Values (SOV) is a detailed, itemized breakdown of the total contract amount, assigning specific dollar values to each component of the work. It serves as the financial backbone of progress payments in construction projects.

Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429

- Redesign of the boiler room to meet current engineering standards, improve operational efficiency, and support the District’s long-term infrastructure objectives.
- Installation of composite metal panels as the exterior finish for Building T, selected to match existing facade elements and maintain architectural continuity.
- Enhancements to the HVAC system, including the addition of roof isolation valves and stub-outs with shut-off valves, which were not initially required under the District’s design standards or base project scope.

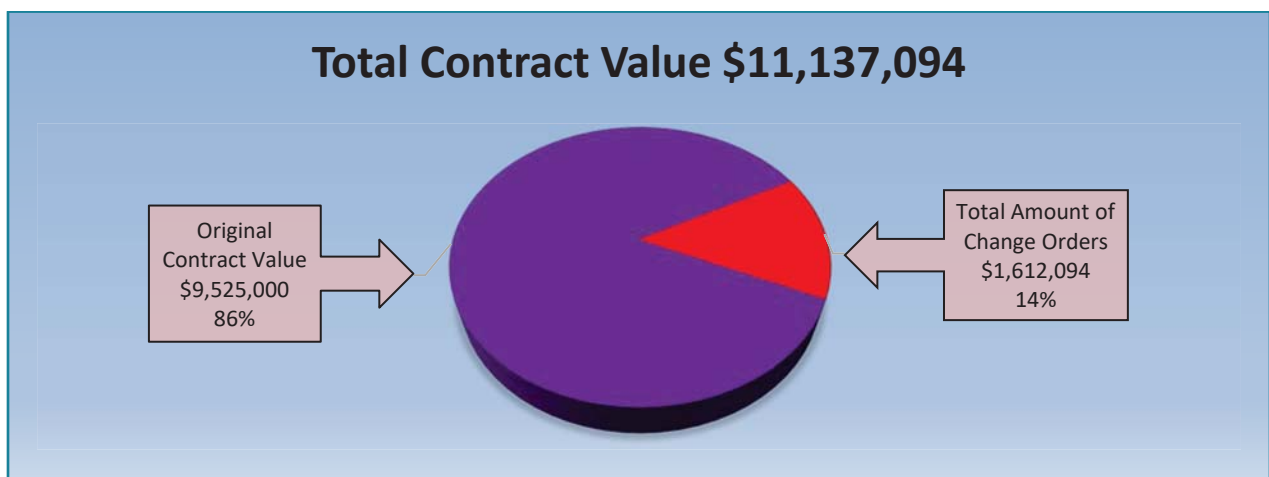
Based on the latest approved Pay App No. 34, the contracted scope of work was 99% completed as of May 31, 2025. To verify whether the completed scope of work was adequately documented and approved by the District, the OIG conducted the following audit procedures:

- Reviewed a random sample of 30 inspection reports to verify the presence of inspector signatures, alignment of inspection dates with reported activities, and the adequacy of documentation supporting the inspections performed. Specifically, our review comprised:
 - ✓ Ten Project Inspector Daily Reports, which detailed the construction activities observed and identified the specific types of work inspected by the Project Inspector.
 - ✓ Ten Division of the State Architect (DSA) 155 Project Inspector Semi-Monthly Reports, which summarized the status of construction progress, noted any deviations from DSA-approved documents, and indicated whether such deviations were resolved or remained outstanding during the reporting period.
 - ✓ Ten Special Inspector Daily Reports, which recorded the type of specialty inspection conducted (e.g., HVAC, Electrical, Plumbing, Roofing, Welding) and noted whether any items required resolution or had been addressed.
- Confirmed with the OAR and Project Engineer that the scope of work was 99% completed and approved by the District in accordance with contract documents.
- Conducted a site walk-through on August 28, 2025, with the OAR and the Project Engineer to view the completed work and the status of the work in progress to date at Cortines VAPA (*see Exhibit A for photos from the site visit*).
- Conducted a follow-up site visit on November 12, 2025, to view the status of the remaining work to be completed. The OAR reported that the entire project is expected to be completed by late January or early February 2026.

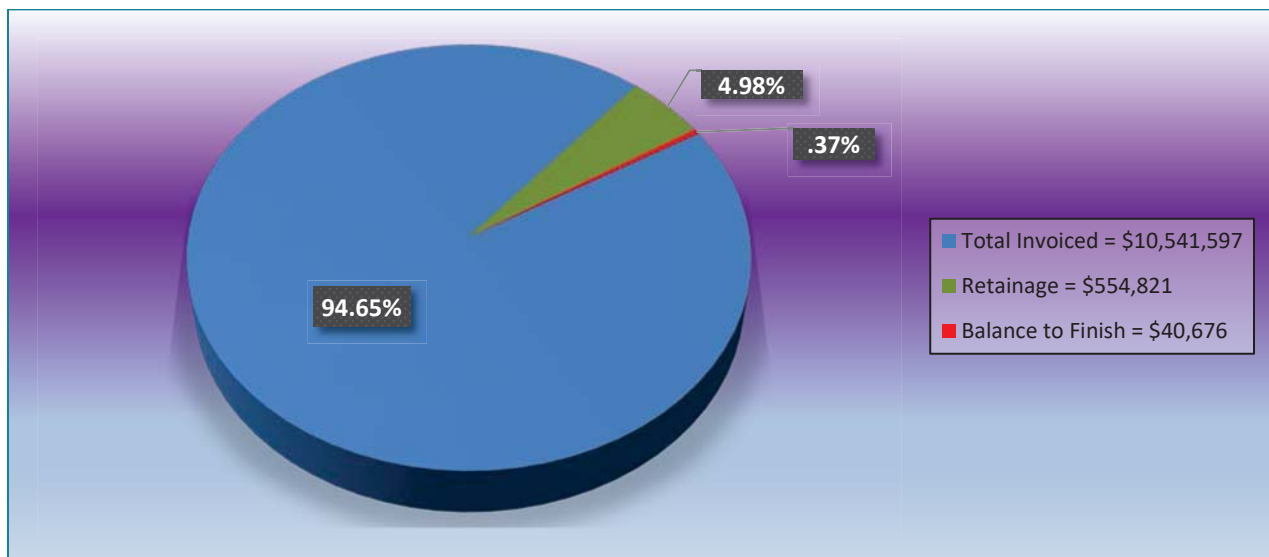
**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

2. The billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions.

The original budget for the project was \$9,525,000. From the Contract's inception through May 31, 2025, the District executed 73 change orders totaling \$1,612,094, increasing the contract value to \$11,137,094. This increase represented a 16.92% change from the original contract amount. The chart below illustrates the division of the total authorized contract value between the initial contract amount and the portion attributable to change orders.



The chart below further outlines the contract value components as of May 31, 2025, including the total invoiced to date, the remaining balance to finish the work, and the retainage held.



Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429

To evaluate whether the billed amounts were adequately supported and compliant with contract terms, the OIG performed the following procedures:

- Interviewed District staff and management to understand the District’s billing workflow and documentation standards for progress payments, including approval protocols.
- Selected 34 (100%) of the Pay Apps submitted from project inception through May 31, 2025, and verified each Pay App for the following:
 - ✓ The Pay App was approved by authorized District personnel, and the approval dates aligned with the billing cycle and performance period.
 - ✓ The billed amount on each Pay App matched the authorized amount paid per the District’s payment records.
 - ✓ The relevant supporting documents, such as the schedule of values, the list of withholdings and releases, the summary of payments made to subcontractors, and any conditional waivers and releases on progress payments, were submitted along with each Pay App.
- Reviewed the latest Pay App No. 34 to verify that the billed amounts were supported and allowable per the Contract, specifically:
 - ✓ The change orders totaling \$1,612,094 billed as of May 31, 2025, matched the total change order amount authorized per the District’s Consolidated On-Line Information Nexus (COLIN) System.⁷
 - ✓ The OAR included an assessment summary and supporting documentation to substantiate all applicable withholding amounts as of May 31, 2025.
 - ✓ AP Construction properly issued a credit Change Order No. T-572 in the amount of \$20,000 to the District for unused allowances.
 - ✓ The OIG recalculated the accuracy of the reported total amount completed and stored to date, the retainage amount, and the remaining balance to finish on the schedule of values.

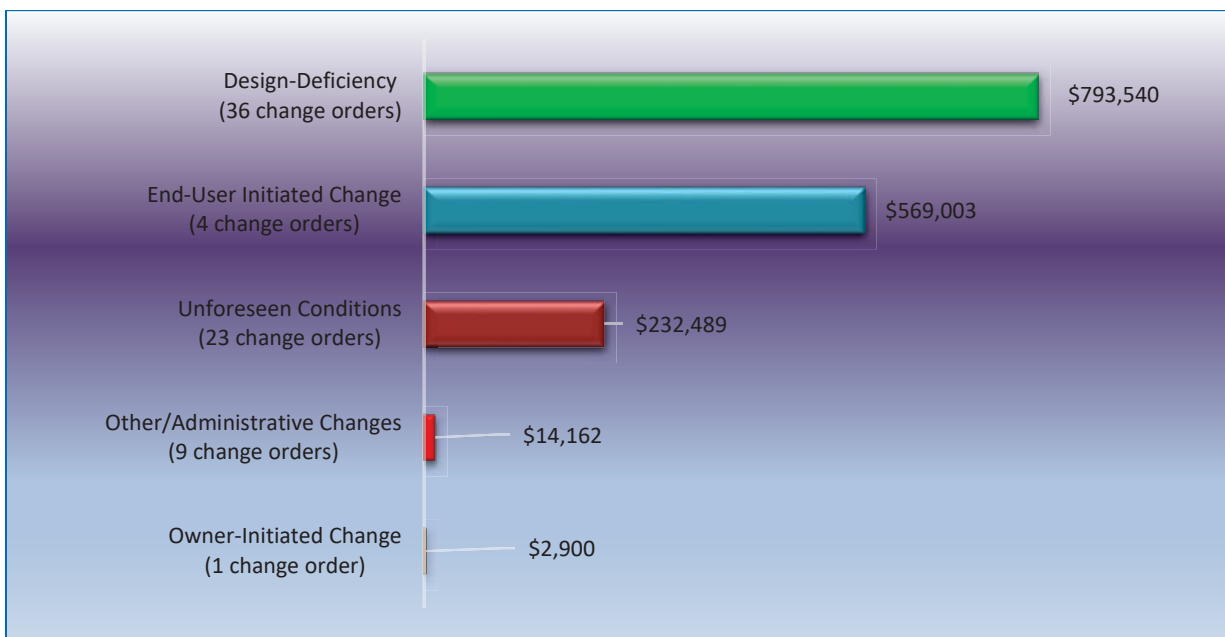
The OIG found no exceptions and confirmed that the billed amounts for the work completed as of May 31, 2025, were adequately supported and complied with the contract terms and conditions.

⁷ The Consolidated On-Line Information Nexus, or COLIN, Change Management system, is the District’s software application utilized by the Facilities Services Division to store and track construction project information.

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

3. The change orders were properly approved and adequately documented.

AP Construction billed the District for 73 approved change orders totaling \$1,612,094 for the audit period. This resulted in a 16.92% increase in the original contract value to \$11,137,094 as of May 31, 2025. The change orders were justified by owner/end-user-initiated modifications, design deficiencies, unforeseen conditions, and other administrative adjustments, as detailed in the graph below.



The District's FSD Change Order Procedures established the formal policies and protocols for preparing and processing change orders, including guidance on signatory requirements and the required supporting documentation. To determine whether the executed change orders were properly approved and adequately documented, the OIG selected a statistical sample of 34 change orders totaling \$1,433,590 (or 89% of the total change order amount) for detailed testing. We reviewed the change order package for each sampled change order and verified the following without exception:

- Each change order was approved by authorized District personnel in accordance with the District's established change order thresholds.
- The change order package was complete and included all required documentation. Specifically:

**Audit of AP Construction Group, Inc.
dba Air Plus
Contract No. 2210024/4400010429**

- ✓ Each package contained the completed and approved Change Order Form, Justification for Contract Modification Form, Record of Negotiation Form, the Fair Cost Estimate (FCE), and the Change Order Proposal (COP).
- ✓ The justification for the change order and any variances between the FCE and final COP amount were adequately documented.
- ✓ The COP was supported by detailed cost breakdowns from the contractor and subcontractors, including cost allocations and third-party quotes and estimates.

The OIG also tested the billed bond rate for all 73 change orders issued during the audit period for compliance with the District's estimating policies and procedures. Our review found that AP Construction applied a standard 2% rate instead of the actual bond rate of 0.94% to 29 change orders executed from the Contract's inception through December 31, 2023. This practice resulted in overbilling of bond costs totaling \$5,759. AP Construction acknowledged the overbilling and issued a credit Change Order No. T-573 on December 16, 2024, to refund the District for the excess bond charges.

The use of incorrect bond rates on change orders had been identified in prior audits, indicating that this was a recurring issue.⁸ In response, FSD revised its policies and procedures in January 2024 to require the use of the applicable bond rate in effect at the time the change order work is performed.⁹ Our subsequent review of all 44 change orders executed after January 2024 confirmed that AP Construction correctly applied the actual 0.94% rate to bond cost billing. This reflects a marked improvement and demonstrates that FSD's corrective action was effective.

AUDIT TEAM

The following auditors performed this audit:

Stella Lai, Audit Manager
Joanna Vuong, Principal Auditor
Victor Reyes, Senior Auditor

⁸ See [Report No. OA 25-1453 Audit of Bond Rate Accuracy in Change Orders.pdf](#)

⁹ Facilities Services Division [14.22 PEX Cost Estimating Procedures signed.pdf](#)



Los Angeles Unified School District Office of the Inspector General

Scott M. Schmerelson, President
Dr. Rocio Rivas
Sherlett Hendy Newbill
Nick Melvoin
Karla Griego
Kelly Gonez
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 AP Construction Group, Inc., dba Air Plus (AP Construction) under Contract Number 2210024/4400010429 (Contract) for the period from April 12, 2022, through May 31, 2025, and AP Construction's compliance with the terms and conditions of the Contract. AP Construction's management is responsible for the amounts billed and for complying with the Contract's terms and conditions. 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 AP Construction'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 legally determine whether AP Construction complies with the specified requirements.

Our examination determined that: (a) the completion of the scope of work was approved by the District and adequately documented; (b) the billed amounts were adequately supported, allowable, and in accordance with contract terms and conditions; and (c) the change orders were properly approved and adequately documented, in all material respects.

However, AP Construction overbilled the District \$5,759 in bond costs associated with applying an incorrect rate to 29 change orders executed under the Contract. AP Construction acknowledged the oversight and issued a credit change order to refund the District for the overbilled amount.

Josh Margraf
Digitally signed by Josh Margraf
DN: cn=Josh Margraf, o=LAUSD, ou=Office of the Inspector
General, email=joshua.margraf@lausd.net, c=US
Date: 2025.12.12 09:45:06 -0800

Josh Margraf, CIA, CISA, CFE
Assistant Inspector General, Audits

December 3, 2025

333 South Beaudry Avenue, 12th Floor, Los Angeles, California 90017
Telephone: (213) 241-7700 Fax: (213) 241-6826
Inspector.general@lausd.net

PHOTOS FROM SITE VISIT



Modifications and upgrades to the boiler room.

PHOTOS FROM SITE VISIT



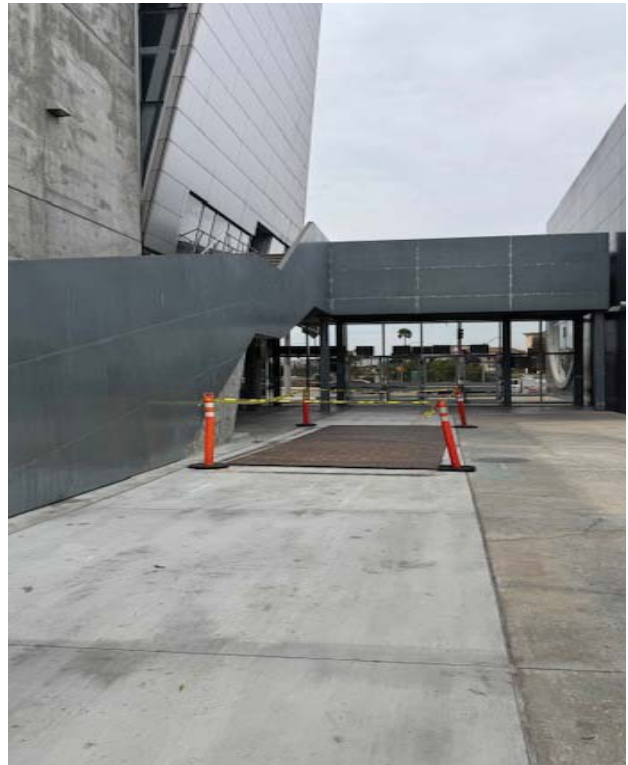
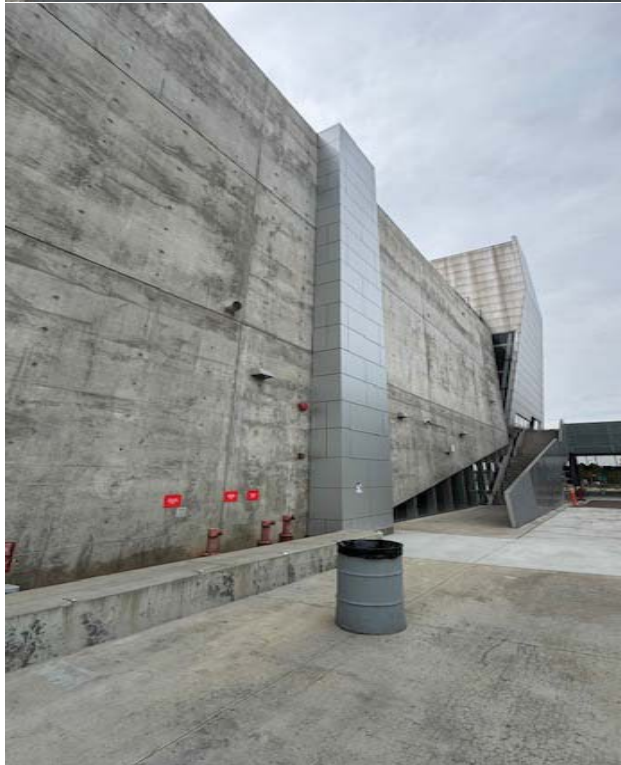
Modifications and upgrades to pump and piping systems.

PHOTOS FROM SITE VISIT



Identification and remediation of underground leaks.

PHOTOS FROM SITE VISIT



Modifications and upgrades on the north and east sides of Building T.

OIG HOTLINE

Office of the Inspector General "Independent and Objective Oversight"

REPORT FRAUD, WASTE AND ABUSE

 (213) 241-7778 or (866) 528-7364

 inspector.general@lausd.net

 <https://www.lausd.org/oig>

- Misuse of LAUSD funds and resources
- Retaliation for reporting misconduct
- Anyone can make a report
- You may remain anonymous

English



Español

