



Los Angeles Unified School District Office of the Inspector General

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Inspector General

December 5, 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: Kemp Bros. Construction, Inc.
Audit of Change Order No. T-502 (Contract No. 2510169/C9344)

Dear Mr. Friedman:

Enclosed is the final report on the audit of Change Order No. T-502, under Contract No. 2510169/C9344, which was awarded to Kemp Bros. Construction, Inc.

Please contact our office if you have any questions.

Sincerely,

Josh Margraf
Digitally signed by Josh Margraf
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Inspector General, email=joshua.margraf@lausd.net, c=US
Date: 2025.12.05 07:14:08 -0800

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

Sue Stengel
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Date: 2025.12.05 09:46:05 -0800

Sue Stengel, Esq., CIG
Inspector General

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

Attachment

Los Angeles Unified School District
Office of the Inspector General

Change Order Audit
Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

CA 26-1033
December 5, 2025

Sue Stengel
Inspector General



TABLE OF CONTENTS

Executive Summary	1
Introduction	1
Scope and Objectives	2
Methodology	2
Results of Audit	3
Audit Team	5
Independent Auditor's Report	6
Exhibit A – Photos From Site Visit	7

Audit of Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) audited Change Order No. T-502 (change order) awarded under Contract No. 2510169/C9344 (Contract) to Kemp Bros. Construction, Inc. (Kemp Bros.) for the Interim Housing Project at Marquez Charter Elementary School (Marquez Charter ES).¹ The OIG conducted this change order 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:

- The District's project team determined that the final negotiated change order amount of \$1,097,217 was fair and reasonable for the required scope of work. This assessment was based on key factors, including restricted site access caused by law enforcement checkpoints—which increased labor and delivery costs—and the need to accelerate the construction schedule to meet the pre-established occupancy deadline.
- As of September 30, 2025, Kemp Bros. invoiced \$877,773 for 80% of the change order work completed. The District issued payments totaling \$833,885, with \$43,889 held in retention and a remaining balance of \$219,443 to complete the change order scope of work.
- The OIG validated that Kemp Bros. billed for the percentage of work completed through document review, interviews with project personnel, and a site visit for confirmation of work progress and alignment with reported completion. As of October 16, 2025, the District's project team confirmed that 100% of the change order work was completed.
- The OIG determined that the change order was processed in accordance with District procedures, with complete documentation, validated cost support, and proper approvals.

INTRODUCTION

Marquez Charter ES is undergoing a comprehensive reconstruction after its campus was destroyed in the January 2025 Palisades Fire. In response to this emergency, the District launched a two-phase recovery plan for the school campus. Phase One includes interim facilities and site restoration, allowing students to return to campus, while Phase Two involves permanent construction of new buildings and facilities.

¹ Change Order No. T-502 - [CO Package 502 Interim Housing Marquez Charter ES.pdf](#) and Contract No. 2510169/C9344 - [NOA Package 2510169-C9344 Interim Housing Marquez Charter ES.pdf](#)
Kemp Bros. Construction, Inc. CA 26-1033
Change Order No. T-502
Contract No. 2510169/C9344

Audit of Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

On April 18, 2025, the District awarded Contract No. 2510169/C9344 to Kemp Bros. to carry out Phase One of the recovery effort. The contract amount was \$7,889,000, with a completion timeline of 110 calendar days.

On June 12, 2025, the District issued Change Order No. T-502 (change order) for \$1,097,217 to cover additional scope of work for the middle level of the school campus, which was not included in the original project scope. This change order increased the total contract value to \$8,986,217, representing a 13.91% increase over the original amount.

SCOPE AND OBJECTIVES

The objectives of our examination were to determine whether:

1. The change order amount was properly approved and adequately supported in accordance with the District's Facilities Services Division (FSD) Change Order Procedures.²
2. The percentage of completion billed for the change order work was completed by the contractor.

Our examination covered the amount billed for the change order as of September 30, 2025.

METHODOLOGY

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

- Interviewed the District's Owner Authorized Representative (OAR), the project team, and Kemp Bros.' staff/management to understand the justification for the change order.³
- Reviewed the Contract's General Conditions and the District's FSD Change Order Procedures.⁴
- Reviewed the change order package to ensure the submitted forms were completed as required and that District approvals were obtained.
- Validated the Change Order Proposal (COP) amount by reviewing supporting documentation that substantiated the proposed costs.
- Reviewed the contractor's proposed cost in comparison to the District's Fair Cost Estimate (FCE)

² FSD Change Order Procedures - [14.16 CO Procedures_Formal Conformed 03172022.pdf](#)

³ The Owner Authorized Representative is the designated authorized representative of the owner who administers the contract.

⁴ General Conditions - [General Conditions Marquez Charter ES](#)

Audit of Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

and the final negotiated amount.

- Recalculated the proposed amount for the change order plus the markups for overhead and profit.
- Reviewed daily logs, inspection reports, and other relevant documentation to substantiate the percentage of change order work completed and billed on the latest Payment Application (Pay App).
- Conducted an on-site visit to view the completed work at Marquez Charter ES, and asked the project team about the current status of the change order work.

RESULTS OF AUDIT

1. The change order amount was properly approved and adequately supported in accordance with the District’s Facilities Services Division Change Order Procedures.

The District’s FSD Change Order Procedures outline the policies and requirements for managing changes in construction projects. The OIG performed the following procedures and determined that the change order was processed and executed in compliance with District standards:

- Verified the completeness of the change order package by confirming that all required documentation was properly included. Specifically, the package contained the Change Order Form, Justification for Contract Modification, Record of Negotiation, the contractor’s COP, and the District’s FCE.
- ✓ Reviewed the change order package and determined that the change order cost was adequately supported based on the following detailed testing procedures:
 - ✓ Compared the COP amount to the FCE and reviewed the explanations and justifications for any variances between the contractor’s proposed costs and the District’s estimate.
 - ✓ Confirmed that the proposed costs, including markups for overhead, profit, and applicable sales tax, were allowable under the general conditions of the Contract.
 - ✓ Validated the proposed costs submitted by the contractor and subcontractors by reviewing supporting documentation such as detailed cost allocations, cost breakdowns, and third-party quotes, proposals, and estimates.
 - ✓ Recalculated the actual bond rate using the original contract amount awarded and the actual bond premium paid and compared it to the billed bond rate to assess alignment with the District’s estimating policies and procedures.

Audit of Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

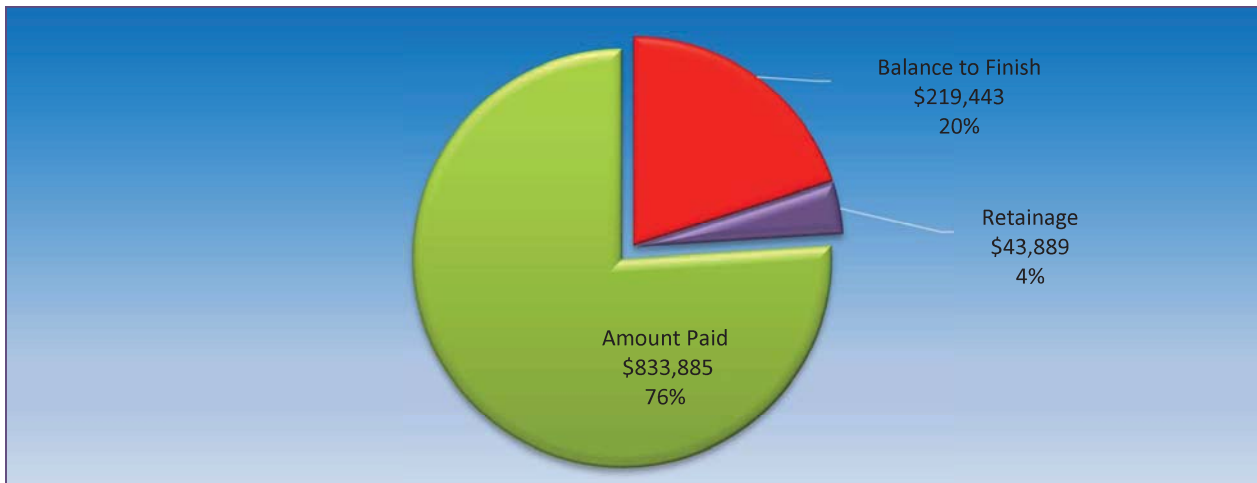
- ✓ Assessed that the change order was reviewed and approved by authorized District personnel in accordance with established approval thresholds based on dollar amount and percentage.

2. The percentage of completion billed for the change order work was completed by the contractor.

This change order was initiated to resolve safety and usability deficiencies at the middle-level campus of Marquez Charter ES, which had been excluded from the original bid scope except for the temporary power poles. The area was not suitable for occupancy and lacked a designated safe refuge for students. To address these concerns, the Architect of Record issued revised design drawings that introduced essential site improvements, including new pavement, landscaping, handball walls, basketball goals, a drinking fountain, perimeter fencing, and play field markings. These additions were necessary to ensure an adequate and secure play space for students, thereby expanding the scope of work.

The District’s project team determined that the final negotiated change order amount of \$1,097,217 was fair and reasonable when compared to the FCE of \$1,029,979. This conclusion was based on a detailed review of trade proposals, line-item pricing, and quantity breakdowns. The difference between the FCE and the final negotiated amount was justified by key factors, including restricted site access due to law enforcement checkpoints, which increased labor and delivery costs, as well as the need to accelerate the construction schedule to meet the pre-established occupancy deadline.

The latest Pay App No. C9344-06 reflected that Kemp Bros. invoiced \$877,773 for 80% of the work completed as of September 30, 2025, and the District paid \$833,885 of the total change order amount, with \$43,889 held as retention and a balance to finish amount of \$219,443. The following graph illustrates the breakdown of the change order amount as of September 30, 2025.



Audit of Kemp Bros. Construction, Inc.
Change Order No. T-502
Contract No. 2510169/C9344

The OIG determined that Kemp Bros. completed the percentage of the change order work billed based on the following audit procedures:

- ✓ Reviewed a random sample of ten site inspection reports and daily logs, and compared the documented progress against the percentage billed per the Pay App.
- ✓ Interviewed the OAR and the project team to confirm their assessment of the actual work completed and inquired about any discrepancies between the billed percentages and documented progress.
- ✓ Inquired with Kemp Bros.' project manager regarding the progress and percentage of completion for the change order scope of work and confirmed whether this information aligned with assessments provided by the OAR, project team, and supporting documentation.
- ✓ Conducted a site visit to Marquez Charter ES on October 16, 2025, to understand the scope of the change order, assess the completed work, verify current status and progress, and document any issues or concerns raised by District staff. Kemp Bros. reported that the work was 100% complete, which was confirmed by the OAR during the visit.

AUDIT TEAM

The following auditors performed this audit:

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



Los Angeles Unified School District Office of the Inspector General

Scott M. Schmerelson, President
Dr. Rocio Rivas
Sherlett Hendy Newbill
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Members of the Board

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Superintendent

Sue Stengel
Inspector General

INDEPENDENT AUDITOR'S REPORT

We have examined Change Order No. T-502 (change order) awarded by the Los Angeles Unified School District (District) to Kemp Bros. Construction, Inc. (Kemp Bros.) under Contract No. 2510169/C9344 (Contract). Kemp Bros.' management is responsible for the change order and for complying with the contract terms and conditions in preparing 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 Kemp Bros.' 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 Kemp Bros.' compliance with specified requirements.

In our opinion, we determined that (a) the change order amount was properly approved and adequately supported in accordance with the District's Facilities Services Division Change Order Procedures, and (b) the percentage of completion billed for the change order work was completed by Kemp Bros.

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

November 6, 2025

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PHOTOS FROM SITE VISIT



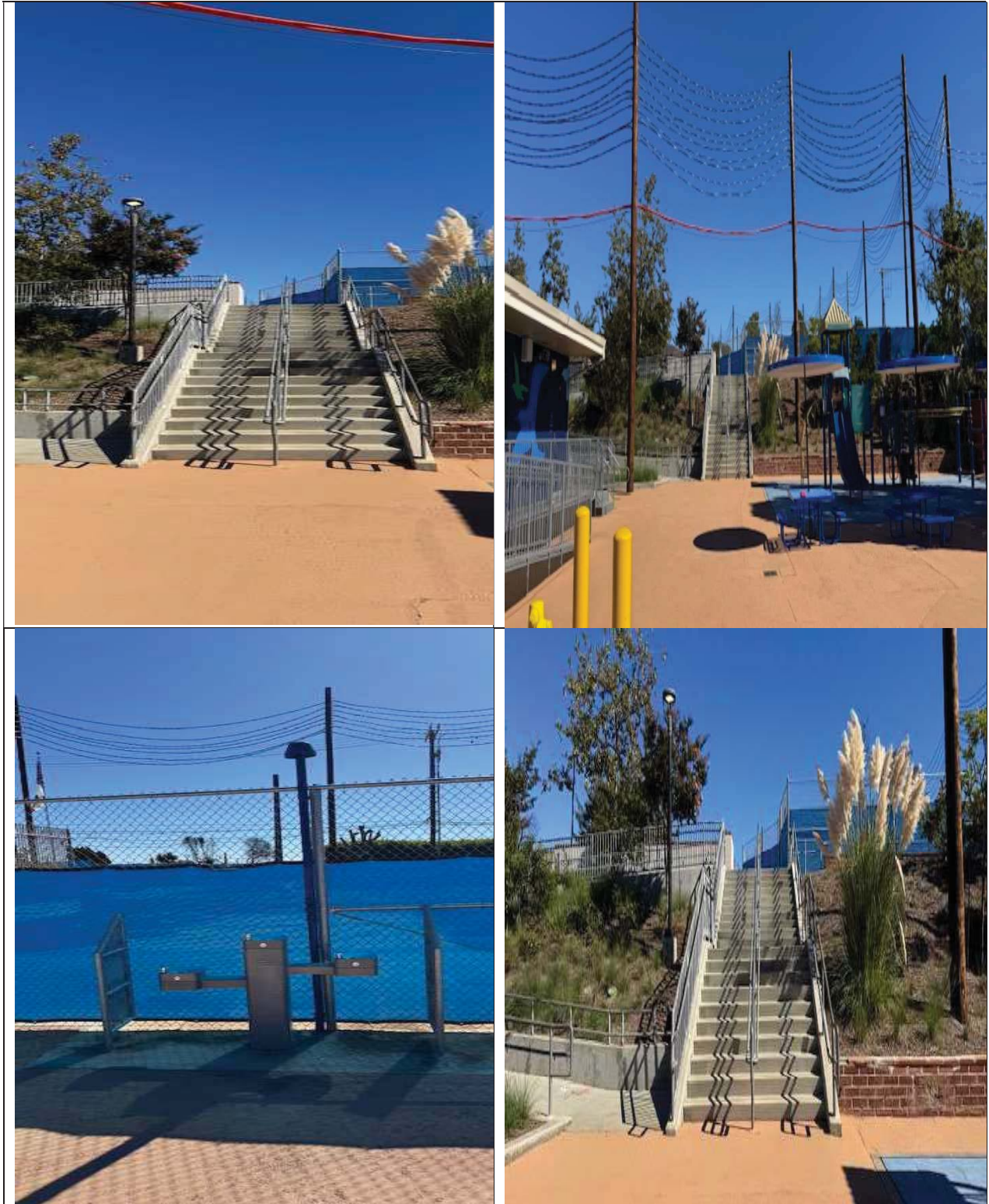
Improvements to the play yard

PHOTOS FROM SITE VISIT



New pavement and landscaping

PHOTOS FROM SITE VISIT



Fencing site screen and rail/stair installation

OIG HOTLINE

Office of the Inspector General "Independent and Objective Oversight"

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